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NEWS SUMMARY

GENERAL

ZAPU, ZANU bans raised

Rhodesia's transitional Government appealed to nationalist guerrillas to lay down their arms and said it was lifting a long-standing ban on the ZAPU and ZANU parties.

A statemtnt issued after a day-long meeting of the multi-racial Government's Executive Council said that "the time has come to bring an end to the fighting." It had been in touch with the guerrillas and most of them believed the battle for majority rule had been won.

At the same time the council moved to heal a rift over the dismissal of Mr. Byron Hove, the black Justice Minister, who was dismissed after declaring that the judiciary and white-led police should be restructured in keeping with the agreement to bring majority rule.

Namibia

A UN committee established by the General Assembly to deal with the problem of Namibia (South West Africa) decided to recommend economic sanctions against South Africa. Back and Page 4

Cameron changes nothing—Premier

The political storm over remarks in China by Marshal of the Royal Air Force Sir Neil Cameron, Chief of the Defence Staff, referring to the Soviet Union as a "common enemy," was met by Mr. James Callaghan, Prime Minister, with an assurance that Britain's relations with China and the Soviet Union would not change. Back and Page 10

French troops killed in Lebanon

At least three French soldiers were killed and seven wounded in guerilla attacks against UN troops in south Lebanon last night. They died when their armoured car was destroyed by tank fire near Tyre. UN ...cks were also attacked and at least seven men were wounded. From Damascus, ...'s Government-controlled ... called for the overthrow of President Sadat of Egypt. ... 4

Life jail for MP's killers

... men were sentenced in ...urgh to life imprisonment ... pleading guilty to murder ... Mr. Walter Scott-Elliot, an ...-old former MP. One of the men who had once been ... in Mr. Scott-Elliot's London home, also admitted that he killed another man.

...ss row ends

...k-long dispute which has ... publication of morning ... evening newspapers in ...ool ended last night. The ...ool Daily Post will ...ar to-morrow, and the ...ool Echo will be on the ... this afternoon.

Composer dies

Aram Khachaturyian, the composer, has died after illness, it was reported in ...v. He was 74. Page 15

...fly ...

... aged 30 was charged ...ght with the attempted ... of Miss Michelle Booth ...as attacked and thrown ... train six weeks ago, Scot... ...ard said.

...een and Prince Philip are ... a series of short visits to ... Arabia, Kuwait and Iran ...ear.

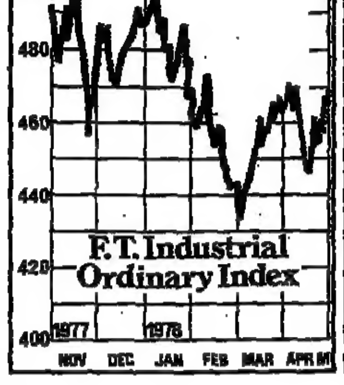
...s Margaret has been con... ... bed with gastric flu, her ... bout of flu in a month.

...s to receive about £600,000 ...ritain to assist technical ...on.

BUSINESS

Equities up 3.9; Gilts drift

● EQUITIES recouped early losses following speculation about the build-up of potential investment funds, and the FT



Ordinary Index, down 2.3 in the morning, closed 3.9 up at 469.6.

● GILTS drifted lower in light trading and the Government Securities Index closed 0.01 down at 71.27.

● STERLING and the dollar improved, with the pound gaining 20 points to \$1.8265. Its trade-weighted index rose to 61.6 (61.4), and the dollar's depreciation narrowed to 5.04 per cent. (5.11 on Friday).

● GOLD fell \$1½ to \$169¾ in London, and the New York Comex May Settlement price rose to \$170.00 (\$169.10).

● WALL STREET closed 4.15 down at 840.18.

● STRONG upward pressure on interest rates continued in the money markets, with rates on Treasury bills remaining above the trigger point for an increase in minimum lending rates from the present 7½ per cent.

● U.S. ECONOMIC adviser Mr. Charles Schultze has raised the forecasted rate of U.S. inflation from 6-6.25 per cent. to 6.75-7 per cent. for 1978.

● BANK OF ENGLAND, in evidence to the Wilson committee on the financial institutions, has outlined its reasons for setting up the £1.2bn. lifeboat operation to support secondary banks. Back Page

● IMF team is to visit London next week to discuss with the Treasury whether the U.K. will keep the IMF standby credit for the rest of this year. Back Page.

● PORTUGAL has reached agreement on terms with IMF negotiators for \$800m. worth of aid to cover her balance of payments deficit. Back Page

● BRITISH UNITED TRAWLERS has announced plans to transfer Grimsby's last remaining freezer trawlers to Hull, at a cost of 265 jobs.

● U.K. BREWERS have agreed to review over the next six months the extent of local monopolies, and will take steps to increase competition. Page 7

● TEXAS EASTERN, a U.S. group with a stake in several U.K. oil and gas fields, plans to invest more than \$300m. in North Sea projects in the next five years. Page 7

● CONSOLIDATED GOLD MINES representatives are to meet the Industry Minister to seek a financial package to rescue the Wheal Jane tin mine. Page 9

● STATE IMMUNITY BILL, which will abolish the immunity sovereign states enjoy from suit in English courts under certain commercial circumstances, will have its second reading in the Commons to-day. Back Page

COMPANIES

● BRITISH HOME STORE pre-tax profit rose 6 per cent. to a record £27.02m. on sales of £273.8m. (£244.3m.) for the 52 weeks to April 1. Page 30 and Lex

Engineering union swings Right with election of Duffy

BY CHRISTIAN TYLER, LABOUR EDITOR, IN WORTHING

A strong swing against the Left in Britain's second-largest union has launched the little-known Mr. Terry Duffy into the presidency of the Amalgamated Union of Engineering Workers, in succession to Mr. Hugh Scanlon.

His victory over Mr. Scanlon's political heir, Mr. Bob Wright, assistant general secretary, could push the union's leadership into even closer co-operation with the Government's economic policies and attempts to restrain wage increases.

But it will not affect an expected policy decision against accepting a specific earnings target after July 31.

It could also herald a tougher line from the leadership against strikes in the motor industry and elsewhere.

Internally, it increases the chances of agreed merger terms with Mr. Frank Chapple's electricians, and raises the possibility that the AUEW's white-collar section, TASS, which is Left-wing led, will be pushed out of the amalgamation.

The Right-wing strengthened its control of the AUEW engineering section's national executive committee with the defeat of the Communist incumbent, seized one of the national organiser posts and inflicted extensive damage to the Left at district secretary level.

A 32.2 *per cent. return in the* postal ballot gave Mr. Duffy, aged 55, 169,168 votes to Mr. Wright's 122,251, despite predictions that the vote would be close.

Mr. Duffy said it had been a bitter campaign in which "Communists, Marxists, Trotskyists and Tribunites united and solidified as never before."

Warning

They had been aided by "very powerful sections of the Press," who had heaped praise on his opponent and criticised him.

The decision would mark no great change in policy, said Mr. Duffy, adding that on many issues he agreed with Mr. Scanlon. But his message was that there would be greater co-operation both with the Government to "project members' minds beyond the immediate pay packet," and with employers to find ways of tackling the problem of persistent and damaging strikes.

Mr. Duffy, who takes over the £6,250 per year post in October, said that while he preferred a Labour Government, he would be prepared to consult the Conservatives if they won the election. At the same time, he warned them against repeating the "silly mistakes of the past."

Announcing the voting results at the engineering section's conference here, Mr. Scanlon said: "*This is the true democracy of* our union that you see in operation. We have to abide by the results whether we like it or not."

Mr. Gavin Laird *maintained his* Scottish executive seat for the Right *against Mr. Calum McKay* with 19,074 votes to 10,173; and *Left-winger Mr. Laurie Smith lost* his job as a national organiser to *Mr. Bill Prichard by 178,745 to* 93,082.

As president, Mr. Duffy will occupy a seat on the TUC General Council and its *key committees*, and will become one of the six TUC leaders on the National Economic Development Council *who negotiate directly with* Ministers on economic strategy.

Mr. Wright, *the defeated candidate*, said that the decision *was a clear one and the majority* of members presumably *supported the policies* which Mr. Duffy had been advocating.

Impact of AUEW swing to right and Editorial Comment, Page 16

Warning from Yamani over fighter deal

BY DAVID BELL WASHINGTON, May 2.

CONGRESSIONAL action to block the sale of fighter aircraft to Saudi Arabia will "diminish Saudi enthusiasm to help the West and co-operate with the U.S.," Sheikh Ahmed Zaki Yamani, Saudi Oil Minister, said in an interview published here to-day.

In the past the Saudis have given private warnings that they *consider the fate of President* Carter's plan to sell 60 F-15 aircraft to them as a key test of Saudi-U.S. relations. But to-day's interview in the Washington Post is the first time a senior Saudi official has given such a warning in public.

Sheikh Yamani's comments coincide with the visit to the U.S. of Mr. Menahem Begin, Israeli Prime Minister, who has made no secret of his opposition to the proposed sale. But there are some signs that Congress, *after initial misgivings*, is preparing to allow the sale which *is part of a three-way deal which* would provide aircraft for Egypt and Israel.

The Saudi Oil Minister said that he was not ruling out completely any linkage between the aircraft deal and continuing Saudi support for the dollar.

"It is not on the whole a pleasant thing for Saudi Arabia to continue to produce much more oil than it actually needs to sell to finance its development programme.

"We prefer right now to stay with the dollar. We do not want to further deteriorate the value of this currency. But this does *not mean that we are not going* to change our position."

Polite speech

Saudi Arabia place great significance on the aircraft deal. "*If we do not get it, then we* will have a feeling that you are not concerned with *our security* and you do not appreciate our friendship."

Speaking in characteristically polite terms, the Shiekh noted that although the Carter administration *fully appreciated* the importance of the arms sale, there *appeared to be* an imbalance in the weight each country *attached to the develop*ing special relationships between the two countries.

This has been taken here as an implied rebuke to the U.S. Congress which *is considering* the aircraft deal. The Senate foreign relations committee has asked the Administration to give it more time to consider the deal bu the White House, increasingly confident that sentiment in Congress is on its side, seems in no mood to do this. As things stand at present, Congress has 30 working days from last Friday to block the deal.

Mr. Begin left Washington *last night for Los Angeles where* he said that relations with the U.S. were muche warmer than on his last visit a month ago. But *he conceded* that *serious* differences remained on the air*craft deal and on the Israeli* negotiating position on the West Bank.

However, the new friendly atmosphere was encouraging and as a result of it "The Government of Israel will discuss serious issue. We shall be back in touch with the U.S. Government."

Editorial comment, Page 16
Sadat speech, Page 4

Laing plans property offshoot

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

JOHN LAING and Son, the international contracting group, is considering launching its £85.5m. property investment division as a separately quoted independent company.

Laing reported in a statement issued yesterday with its 1977 results that the feasibility of this proposal was being examined by the directors in conjunction with N. M. Rothschild and Sons "in the light of the size and range of the property investment and property development activities."

Mr. G. Parsons, Laing's chief executive, said yesterday the property *launch had been under* consideration since the middle of last year. The Board *felt* shareholders would benefit from the creation of a separate property investment and development group whose size would not be obscured by the contracting side of the Laing business.

If the project goes ahead the new company could be on the market by the end of the year. Laing hopes to give a decision by the time of its annual meeting in June.

Talks are in progress with the Inland Revenue, major creditors and other interested parties. If no external problems arise, Laing expects to launch the new *company by means of a direct* issue of shares to existing Laing shareholders.

The Laing family and associated charities control more than 60 per cent. of the company. As these holdings would be retained in the new company, both would remain "close" companies.

Laing's shares leapt 16p to 149p on news of the proposals and on details of 1977 pre-tax profits, 30 per cent. ahead at £21.1m.

The property investment and development division, which would form part of the hived off property operation, completed properties worth £12m. in the year.

Results, Page 36
Lex, Back Page

Danger in curbs on Press freedom —Powell

By Ivor Owen, Parliamentary Staff

CURBS ON the Press in reporting proceedings in Parliament will also curtail the freedom of speech enjoyed by MPs when they speak in the Commons, Mr. Enoch Powell, the Ulster Unionist MP for Down South, warned last night.

The implications for Press freedom and for Parliamentary democracy itself arising from the events which followed the naming of Col. B, the Army intelligence officer involved in a secrets case, by four back bench Labour MPs last month, dominated a debate on the issue in the Commons last night.

The action of the Director of Public Prosecutions in warning newspapers that they might face proceedings for contempt of court if they publish the name of Col. B — broadcast on radio and television and reported in Hansard the next day — was strongly condemned by Mr. Powell.

"I cannot imagine a more direct assault upon the essential privileges of this House," he said.

Support

Mr. Powell argued that no distinction could be drawn between MPs having the privilege of free speech in the Commons and the right to publish what they said.

Nor, he maintained, could any distinction be drawn between a report in Hansard and a report in a newspaper.

There was strong support for Mr. Powell from both sides of the House, *particularly from* Mr. Alex Lyon the Labour MP *for* York, *who urged* that it should be laid down *that the courts could not interv*ene in the reporting of Parliament.

A motion referring all the issues involved arising from the name of Colonel B to the House of Commons Committee of Privileges was approved without a division.

Mr. Michael Foot, Leader of the House, stressed that final decisions on the recommendations made by the committee would be reserved for the House itself.

Parliament, Page 10

£ in New York

—	May 2	Previous
Spot	\$1.8250-8260	\$1.8250-8260
1 month	0.47-0.41 dis	0.49-0.43 dis.
3 months	1.17-1.11 dis	1.22-1.15 dis.
12 months	4.45-4.25 dis	4.40-4.10 dis.

Bonn attacks restrictions on competition

BY DAVID BUCHAN BRUSSELS, May 2.

WEST GERMANY to-day strongly warned its EEC partners against the trend towards restricting competition within the Common Market and the erection of further protectionist barriers *against third countries*.

In a policy statement which amounted to a call for a return to the free market faith, Count Otto Lambsdorff, the West German Economics Minister, told *the meeting of EEC Foreign* Ministers in an unscheduled appearance:—

"The most important driving force towards adapting outdated industrial structures is competition in the market place."

The prepared statement was vigorously contested by other Ministers, led by Dr. David Owen for the U.K. and M. Jean Francois Deniau for France. Only Denmark came out in support of Bonn's position.

Summit

Dr. Owen said *the issue of* protectionism could not be considered "in isolation from other major concerns such as low growth, unemployment, and currency stability." The electorates "will not stand for simple laissez faire policies."

He strongly urged that protectionism should be only one of many issues to be prepared for top-level discussion at the forthcoming Bremen EEC summit and the Bonn world economic conclave in July.

Count Lambsdorff's warning came during a discussion of the *Brussels Commission's move last* month to introduce surveillance *licensing on shoe imports coming* into the Community. The step *is regarded by the Bonn Govern*ment as heralding major pro*tectionist measures on footwear* and adding to a lengthening list *of crisis sectors which now* includes steel, textiles and ship*building*.

On shoes, the Germans wanted the council to overturn the Commission's licensing system. This found no support among other member States.

But Viscount Etienne Davignon, EEC Industry Commissioner, promised to propose to the council a more flexible means of monitoring shoe imports by mid-June. By contrast, Ireland sought to get from to-day's council meeting permission to introduce unilateral curbs against shoes from Poland and the Far East.

The final compromise, which seems to have satisfied Irish Ministers, is that the EEC Commission will try to negotiate a restraint agreement with the Poles, whose shoes imports into Ireland, according to the Irish, are 500 per cent. higher this year over 1977 levels.

If these talks fail, then Ireland can introduce measures against Poland.

In spite of the fact that six member states, including the U.K., have their own historic quotas on East European footwear, Ireland's partners felt unilateral measures would be unwelcome at this stage.

The footwear issue was dwarfed by the sharp debate on protectionism that it provoked. Significantly, Count Lambsdorff conceded that his Government would go along with "temporary transitional measures" for problem sectors "in narrowly defined, exceptional cases."

He singled out the example of "a synthetic fibre crisis cartel, that conforms with EEC and national competition law and by means of which excess capacity would be dismantled." This was a reference to the cartel for which a dozen EEC synthetic fibre companies, including Bayer and Hoechst, of Germany, are trying to win Commission approval.

Agreed

But the main thrust of the West German Minister's speech was that extrnal protectionism "of the classic kind" would only encourage retaliation against the export-oriented economies of the Community—of which West Germany is the foremost.

He also attacked the increasing intervention of the Commission and the Community in wide areas of EEC industry. Bonn, he said, had only reluctantly agreed to steel and textile measures, and in general, *Governments and European civil servants should not take the lead in restructuring* industry.

Count Lambsdorff went on to criticise attempts by the Com*mission to pick "winners"* in industry. "The drawing up of a *list of growth industries*" which is exactly what the Commission *is now doing at the behest of last* December's EEC summit—"could lead to expensive misinvestment with negative effects on employment and growth."

Viscount Davignon defended the Commission's industrial strategy against the West German attack and argued that Brussels was trying to introduce sectoral policies which did not conflict with each other and was taking internal and external consequences into account.

EEC policy was still based on the free market principles of the Rome Treaty, but pressing problem sectors, like shipbuilding, required special treatment.

U.S. co-operation "essential" for Europe currency zone, Page 3. Rule book for EEC enlargement, Page 3

PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:

Chemical ...	76xd	+ 6
(A.) ...	50	+ 3
...	650	+ 10
...ean ...	70	+ 6
Intl. ...	49	+ 4½
...	54	+ 7
...	111	+ 4
& General...	130	+ 10
Withy ...	288	+ 19
...	551xd	+ 15½
...	270	+ 5
) ...	207	+ 4
(Footwear)...	87	+ 11
...	348	+ 6
...Richards		
...	128	+ 7
) A ...	149	+ 16
Spencer ...	140	+ 3
Universal	166	+ 10
Bank ...	365xd	+ 9
Pochin's ...	110	+ 14
Racal Electronics ...	230	+ 6
Redfearn Nat. Glass	325	+ 5
Scott & Robertson ...	41	+ 4½
S.E.E.T. ...	55	+ 6
Vernon Fashion ...	98	+ 8
Vinten ...	106	+ 5
Wilson Walton ...	70	+ 5
Shell Transport ...	560	+ 8
Siebens (U.K.) ...	324	+ 14
Anglo United Dev....	134	+ 10
Northgate ...	370	+ 20
Pancontinental ...	£11½	+ 1
Tara Exploration ...	£11	+ 1½
Westfield Minerals...	87	+ 7

FALLS:

Treasury 12% 1983...	£104½	— ½
Southern Rhodesia 2½% 65-70 ...	£53	— 4
Hampton Areas ...	128	— 5
Libanon ...	432	— 15
Loraine ...	84	— 9½
West Rand Cons. ...	121	— 8

CONTENTS OF TO-DAY'S ISSUE

FEATURES

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EUROPEAN NEWS

Italian employers will press for reflation

Dr. Guido Carli

BY DOMINICK J. COYLE

ROME, May 2.

ITALY'S POLITICAL, industrial and social forces are moving to ensure that the national trauma bought on by the dramatic kidnapping of Sig Aldo Moro, the former Prime Minister, is not allowed to undermine the normal working of the country.

Sig Giulio Andreotti, the present Prime Minister, is known to have reacted angrily in private to suggestions that the Red Brigades terrorists have brought the country to its knees. Indeed, in a television interview at the week-end he made a point of listing the number of Cabinet meetings held since the kidnapping on March 16, and noted the decisions taken by ministers.

Also, it was noticeable that at yesterday's May Day rallies throughout Italy, trade union leaders did not limit their declarations to condemning violence and terrorism, but also insisted that it was necessary urgently to tackle a number of pressing problems, including unemployment, investment in the depressed southern regions and the reform of the whole public sector spending apparatus.

Now it is the turn of the employers, and some 1,000 delegates representing an estimated 100,000 Italian companies are meeting here to-day and to-morrow for the annual congress of Confindustria, the national employer organisation.

Dr. Guido Carli, the former Governor of the Bank of Italy, will be confirmed in office as Confindustria's president for a further two-year period. His detailed report to delegates to-morrow is expected to incorporate a wide-ranging review of the depressed state of the Italian economy, and to outline industry's demands for positive and immediate reflationary measures by the minority Andreotti Government.

The Government, and the political parties (including the Communists) committed to supporting it in Parliament, has promised measures to make the economy grow at something over 4 per cent. by the last quarter of this year. Confindustria will be pressing for something more.

While accepting the target figure, it hopes for a somewhat earlier economic lift-off, particularly in view of fears that there will be virtually no growth in the first half of 1978.

Recent indicators are, in fact, in conflict. Some suggest that the recession has already bottomed out, others point to a continuation of the decline in industrial production which set in last April and has, seemingly, not yet been arrested.

In general terms, Confindustria is ranged with the main trade unions pressing for strong reflationary measures. The Government, supported generally by the Bank of Italy, is somewhat more cautious, believing that a run for growth now could bring with it the seeds of yet another foreign exchange crisis next year. The likely behaviour of Italian exports this year is a concern on both sides, with general pessimism over world demand.

But the employers are a great deal less aligned with the unions on wage levels, and especially now that preliminary work is under way on a round of important national wage contracts due for renewal later this year.

Confindustria is quietly impressed with recent expressions of trade union moderation, such as those by Sig. Luciano Lama, the head of the powerful Communist-dominated CGIL. He has talked about the need to keep wage rises in line with productivity improvements, on the desirability of trade unionists accepting a measure of labour mobility and, perhaps immediately most important, that state and private-sector employers must not be forced to go on indefinitely supporting clearly moribund industries with emergency financing.

The attitude of Confindustria to all of this is very much one of "wait and see," the employers preferring (as Dr. Carli may well hint at in his Presidential address to-morrow) to hold off judgment until they see what specifically the trade unions will be demanding.

Hungary: spring cleaning the economy

BY PAUL LENDVAI

VIENNA, May 2.

THE RECENT decisions of the Central Committee of the Hungarian Communist Party which reaffirmed the leadership's commitment to economic reforms launched in 1968, also marked an important change in the possible succession to Mr. Janos Kadar, the party leader. With the unexpected retirement of Mr Bela Biszku, 57, who for almost two decades ranked as Mr Kadar's most trusted lieutenant and the number two in the Party secretariat, it is now Mr. Karoly Nemeth, another Central Committee secretary who has emerged as the frontrunner.

Mr. Nemeth, only one year younger than Mr. Biszku, replaced Mr. Rezsoe Nyers, the architect of the economic reforms as Central Committee secretary in charge of economic affairs four years ago. But in striking contrast to widespread fears among Hungarian intellectuals, the professional party functionary turned out to be a sensible and clever operator, willing to listen to the advice of economic experts and to turn a deaf ear to the hard-liners.

Mr. Janos Kadar

The son of an agricultural labourer, Mr. Nemeth spent all his life in the Party apparatus as Regional Secretary in the provinces and was transferred to the central apparatus only in 1960 when he took over the Department for Agriculture. A member of the Central Committee since 1957, he was promoted to the Secretariat in 1966 as the Secretary in charge of agricultural affairs. Three years later he was appointed First Secretary of the Budapest Party organisation, which is by far the largest in Hungary. During the next nine years he built up his reputation as a middle-of-the-road official, opposing both the most go-ahead reformers and the dogmatic hard-liners.

But the promotion of Mr. Nemeth who now ranks as de facto deputy of Mr. Kadar in the Party Secretariat constitutes no threat to Mr. Kadar's pre-eminent position. The latter's position in Hungary and his prestige both in the West and in the Kremlin is stronger than ever. Thus Mr. Nemeth must be regarded only as the most likely candidate for the succession if the Party leader—66 years-old this month—were to fall seriously ill.

Nevertheless, the departure of the quiet but influential Mr. Biszku, who between 1957-61 also acted as Minister of Interior ferreting out so-called "counter revolutionaries" and "revisionists" is a serious setback to the dogmatic hard-liners. The key phrase in the Central Committee's resolution is the call for creating the necessary personal conditions to carry out more efficiently the resolutions of the 11th congress held in the spring of 1975. It is against this background that the simultaneous retirement of Mr. Imre Pardi, 56, head of the Central Committee's economic department and Mr. Lajos Cseterki, 57, a former Politburo candidate member, must be seen.

The personal reshuffles also reflect the new style of the Kadar regime. Mr. Biszku and the two other high-ranking officials were not purged but retired with full honours. Their merits were explicitly recognised and they also received high Government decorations. Yet at the same time the Central Committee resolution and a subsequent editorial of the party paper, Nepszabadsag called for less procrastination in replacing inefficient people in leading positions. Faced with a difficult economic situation, Mr. Kadar has recognised that upward mobility based on the yardstick of quality and talent rather than on the "old boys' network" was a crucial condition for coping with the problems.

Simultaneously, the Central Committee resolution also proclaims that the improvement of quality and the sale of good quality products at home and abroad was the basic condition of the economic upswing. The redeployment of labour is connected with the long awaited transition to more economic prices, reflecting real production costs. This will entail an increase in prices but at the same time their effect will be cushioned through incomes policy measures.

Cutting subsidies and raising prices is not a new phenomenon in Hungary, but the tone of the resolution indicates that the pace might be accelerated. In contrast to the leaders in Poland for example, the Hungarians have all the time kept informing the public both about the economic problems and the measures to be taken. Thus while it is stressed that the national income is five-and-a-half times higher and the per head consumption three times larger than in 1938, the party paper also admits that nevertheless national income per head in France and West Germany is twice as high as in Hungary or that productivity in Austrian industry is still about 75 per cent. up on the Hungarian level.

The latest Central Committee resolution gives the go-ahead signal for the policy of economic reform. In a way the deterioration of the world economic situation in general and the jump in prices charged for imports have turned out to be a blessing in disguise. It is now generally recognised that with exports approaching 50 per cent. of the national income, the main emphasis should be both on increasing exports and on import substitution. The more profits of enterprises reflect real differences in productivity, the stronger the stimulus to produce modern and competitive products. It was Mr. Nemeth himself who in a speech before the plenary meeting of the Central Committee last October called for marked shifts in the industrial production structure and the faster phasing out of inefficient producers.

In this sense, Hungary is more than ever determined to put the economy on a self-supporting basis. As long as the measures do not threaten political stability, the Kremlin is unlikely to raise any objections.

Moves for deal to save Moro's life

By Dominick J. Coyle

ROME, May 2.

MEETINGS to-day, involving the Communist (PCI) and Socialist (PSI) leaders and Sig. Giulio Andreotti, the Prime Minister, focused on moves by Sig. Bettino Craxi, the PSI Secretary-General, to try to negotiate the release of Sig. Aldo Moro, the kidnapped former Premier, without capitulating to the demands of the Red Brigades

Sig. Craxi had a meeting this morning with the Prime Minister, and later saw the PCI leader, Sig. Enrico Berlinguer. He is understood to have argued at both meetings that "more should be done on humanitarian grounds"

Sig. Craxi insists that he supports the minority Christian Democrat (DC) Government and the other main parties in their refusal to consider the prisoner exchange demanded by the Red Brigades in return for the life of the former Prime Minister and DC President. However, he has suggested the possible release of some prisoners, and has called for an easing of prison conditions for the estimated 150 Left-wing terrorists.

A Communist Party spokesman confirmed later that there was no change in the PCI's outright opposition to any formal deal with the terrorists. But he reflected the now prevailing view in all political parties that every effort short of actual negotiations should be considered.

Italy's Lockheed trial resumes

ROME, May 2.

TWO FORMER Defence Ministers went back in the dock here to-day to face charges of corruption

The trial of the ministers, a Christian Democrat, Sig. Luigi Gui and Social Democrat, Sig. Mario Tanassi, re-opened at the Constitutional Court after a three-week adjournment to allow a key figure to recover from an operation.

The ex-Ministers are among four defendants accused of receiving payments from the Lockheed Aircraft Company during the sale of 14 Hercules C-130 transport aircraft to Italy in 1969 and 1970.

Seven other people are charged with involvement in payments totalling $2m. One of the seven, Lockheed's former Italian agent Sig. Ovidio Lefebvre, took his seat among the defendants this morning after the adjournment he had requested.

Reuter

Dutch profit-sharing changes allow companies tax relief

BY CHARLES BATCHELOR

AMSTERDAM, May 2.

HOLLAND'S Centre-Right Government, which has been in office for four months, has made significant changes to its Left-wing predecessor's plans for excess profit-sharing. Companies will be allowed a higher return on capital, the amount to be paid into the excess profit fund has been reduced and payments can now be set against corporation tax.

The changes have been made to avoid the adverse influence on levels of employment and business confidence which would have resulted from the last Government's plans. Foreign investors in particular were strongly opposed to earlier plans for profit-sharing in Holland, the Government said.

The plan will be presented to Parliament in two parts. A draft Bill covering the individual part of the plan has been sent to Parliament and a second Bill covering the collective part will be presented later. In the meantime, an interim ruling has been drawn up covering the collective part.

No mention is made of the relative size of the two elements of the plan although the previous Government wanted 70 per cent. of excess profits to go into a collective fund, managed largely by the unions. Thirty per cent. was to go to the employees of the individual companies.

The scheme will take effect retroactively from January, 1977, although many companies are already distributing dividends from 1977 profits.

The new proposal will allow companies a return on capital equal to the yield on a packet of State bonds plus a 3 per cent. risk premium. Under the old scheme this premium was 2 per cent.

After allowing for this return on capital workers will receive 12 per cent. of the "excess profit." The earlier scheme set the workers' share at 20 per cent. in 1977, rising 1 per cent. a year after that. Unlike the earlier scheme, companies may now deduct existing profit-sharing schemes from the payment and they can set payments against corporation tax. The tax concession in particular has come in for criticism from the trade unions and Left-wing parties.

Adjustments which will increase the amount paid out are a rise in the maximum that a worker may receive in a year to 3 per cent. of his wage from 2 per cent. This would be about Fls.1,500 at 1977 levels. The scheme will now cover companies making Fls.100,000 profit compared with Fls.250,000 before.

Payments may be made in shares, asset certificates or cash and will be frozen, as in the old scheme, for a period of seven years.

The interim scheme for the collective part of the plan will try to allow foreign companies to set their excess profit payments against corporation tax payable outside Holland. The collective fund which builds up will be managed by trade union representatives, Government nominees and a Government delegate with advisory powers. The collective fund is to be used to improve pension schemes. The Government hopes it will be used to allow earlier retirement schemes.

The proposals are expected to raise up to Fls.70m. in 1977 before allowing for the deductions allowable for existing schemes and for write-downs against corporation tax.

Mr. Joop den Uyl, the Opposition Labour Party Leader, said the new plan has completely stripped the original proposal which was seen as one of the party's major social reforms.

U.S. halts uranium supply

THE HAGUE, May 2.

THE U.S. has suspended deliveries of enriched uranium to a Dutch research reactor until security measures are improved a Foreign Ministry spokesman at The Hague said to-day.

The U.S. decision to insist on better protection against theft or hijacking at the research centre in Petten, north of Amsterdam, was relayed to the Dutch Government by the headquarters of Euratom in Brussels.

An official at Petten said the centre still had a considerable stock of highly enriched uranium and could continue normal work for some time.

The Foreign Ministry said it expected the problem to be solved by negotiation with the U.S. Low-grade enriched uranium for Hollands three nuclear power stations is not affected.

Reuter

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EUROPEAN NEWS

Brezhnev 'ready for force reductions'

BONN, May 2.

MR. LEONID BREZHNEV, the Soviet leader, said in an interview published here to-day that the Soviet Union was ready to agree to reduce East-West forces in Central Europe by half, providing the balance of power was not disturbed.

Interviewed by the Social-Democratic party weekly *Vorwaerts*, shortly before a visit to Bonn this week, Mr. Brezhnev said the Soviet Union posed *no military threat to* anyone. "We want not a balance of fear but a balance of *trust*," *the Soviet leader* said.

Referring to the Vienna talks on mutual force reductions, he added: "we are prepared at any time in Vienna to sign an agreement on the reduction of the level of forces *and armaments in Cen*tral Europe by five, ten, 20, if you like even by 50 per cent."

But *the agreement* must ensure that the present balance of strength was not disturbed, "with *no advantages* for one side and disadvantages for the other," Mr. Brezhnev said.

Mr. Brezhnev complained that "when the Soviet Union puts forward concrete, realistic and comprehensive proposals for the restriction of weapons, the answer is all the noise with the neutron weapon."

Military threat

He said "the Soviet Union has no intention of attacking any state in the West, East, North or South. The Soviet Union has *no* intention of conquering' Western Europe."

It seemed to him that those in the West who talked of a Soviet military threat had *something else in mind. They* were dissatisfied with the present approximate balance of forces *and wanted military* superiority for themselves, he added.

Mr. Brezhnev said he saw the Soviet-West German treaty of 1970 as "a cornerstone in the edifice of detente." The state of relations between the two countries was a good measure of *international detente* as a whole. The Soviet leader said the subject of West Berlin *should not remain a blot on* the map of European detente. He emphasised that "this city is *no part of* the Federal Republic."

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EUROPEAN CURRENCY ZONE

U.S. co-operation 'essential'

BY JONATHAN CARR

BONN, May 2.

WEST GERMANY believes that the idea of a wider zone of currency stability in Europe can only be implemented in close co-operation with the United States, and that Washington itself sees advantages in the scheme.

This was made clear here to-day by Herr Hans Matthoefer, the Finance Minister, following his return from talks in Washington which were preceded by attending the IMF *interim* committee meeting in Mexico City.

His comments appear to be aimed partly at removing the reservations of those who fear that such a zone, which was outlined by Chancellor Helmut Schmidt to other European leaders in Copenhagen recently, might be seen as against the U.S.

Britain for one has let it be known that its support for the scheme would depend on assurances that no such move against Washington was implied. Another British condition is that West Germany should take further action to try to boost its economy.

Herr Matthoefer said he had, in all, about 14 hours of talks with Mr. Michael Blumenthal, the U.S. Treasury Secretary, during which the European currency zone idea, among other things, came under scrutiny.

First, the two sides were agreed on the importance of currency stability for trade growth —a point confirmed by the situation within the European currency snake. This automatically led to consideration of how such an area could be extended to benefit Europeans and Americans alike.

Second, Herr Matthoefer said, the U.S. had expressed interest in more intervention taking place in D-marks to try to take pressure off the dollar. But West Germany felt the volume of D-marks was insufficient to permit this, and that it would bring speculative pressure which the Germans could not withstand. This in turn brought consideration of what extra role might eventually be allotted to the European unit of account.

Third, both sides were agreed there was no ready possibility of a substitute for the dollar as the world's leading reserve currency. Hence, the importance of a reduction in the U.S. current account deficit, to restore basic stability to the U.S. currency.

Informed sources noted meanwhile that West Germany was not, in principle, against the IMF idea advanced in Mexico City of a substitution account *under which IMF members could* exchange surplus dollars for the fund's Special Drawing Rights. *But Bonn did see a series of* practical difficulties which would take a considerable time to remove.

Herr Matthoefer played down suggestions that Bonn was continuing to come *under* U.S. pressure to do more to reflate, noting that in the wake of their lengthy talks both *sides had a very close* appreciation of the problems of the other. He indicated that such national pressure as remained came from Europe. Bonn's position was that it would not be *pushed into* taking over-hasty action.

Russian hint of arms for Turkey

BY METIN MUNIR

ANKARA, May 2.

THE SOVIET UNION has informed Turkey that it will examine the means at its disposal for supplying Turkey with arms should a request be made by Ankara.

Mr. Hasan Esat Isik, the Turkish Defence Minister, *said* this message was delivered by Marshal Nikolai Ogarkov, the *Soviet Chief of Staff, who com*pleted a five-day visit to Turkey on Sunday. Mr. Isik was speaking *at a news conference* after the visit, which was the first by a Soviet Chief of Staff to Turkey in 45 years.

Asked whether the Soviet Union had offered arms to Turkey, Mr. Isik said: "Marshal Ogarkov reiterated that the Soviet Union does not harbour any ambitions over Turkey except those of mutual friendship and good neighbourliness. *Should Turkey require any, the* Soviet Union could examine means at its disposal for supplying *assistance*. Marshal Ogarkov did not state anything beyond this."

Mr. Isik, a former Turkish Ambassador to Moscow, said the Marshal's visit had passed in conditions of mutual respect *and* confidene. An atmosphere of understanding and sincerity had dominated the talks. Such contacts between the Turkish and Soviet armies could become more frequent.

Marshal Ogarkov visited Ankara and Istanbul. In addition to *Mr. Isik*, he met Mr. Koroturk, the Turkish President, and Mr. Bulent Ecevit, the Prime Minister.

Mr. Isik said it would not be correct to link Marshal Ogarkov's visit with the U.S. *arms* embargo on Turkey. Nevertheless the Marshal was invited to Turkey last June when Mr. Suleyman Demirel, the Right-wing Prime Minister, was in power. The invitation was renewed by Mr. Ecevit in February, a month after he came to power. The visit *took place when* congressional debate at committee level was taking place in the U.S. on President Carter's call for the lifting of the embargo.

The restriction, which has *been in effect for more than* three years, began several months after Turkey's *intervention* in Cyprus. It was in fact, a punishment for Turkey's use *of U.S. arms for purposes* other than the ones for which they were supplied, and was intended to put pressure on Turkey to make concessions.

Mr. Isik's statements demonstrate the improvement which has taken place in Turkish-Soviet relations when Turkish-American relations are cool. Observers believe that Mr. Ecevit, who is to visit the Soviet Union next month, may ask for Soviet arms if the U.S. embargo remains in force.

Greeks seek clarification

BY OUR OWN CORRESPONDENT

ATHENS, May 2.

GREECE IS concerned over the *Soviet Union's reported desire to* develop military co-operation with Turkey, a Government *official said to-day. He said* clarifications were being sought from Moscow through diplomatic *channels* on the form of the co-operation.

The official was commenting on the visit to Turkey of Marshal Nikolai Ogarkov, *the Soviet Chief* of Staff.

Diplomats said Greece is concerned lest military ties between the Soviet Union and Turkey upset the balance of power. The same observers believe the threat of Russian military aid to Turkey may help convince the U.S. Congress of the need to lift the American embargo on arms for Turkey.

Congress resumes discussion to-morrow on whether the embargo should be lifted as requested by President Carter.

Our Nicosia correspondent adds: Cyprus, too, is anxiously awaiting clarification from Moscow about reports of Soviet offers to supply Turkey with arms.

Mr. Dimos Hadjimiltus, the Cyprus ambassador to Moscow, has been *told* by President Spyros Kyprianou to ask the Russians to speed up their reply to an *earlier strong protest over* Russia's determination to strengthen cooperation with Turkey *in the military field*.

Airliner 'tried to call Soviet fighters'

A SOUTH KOREAN airliner *forced down by Soviet fighters* 12 days ago made three attempts to contact them before they opened fire, a Finnish air ministry official said yesterday, Reuter reports from *Helsinki*.

The Boeing 707 flying over the pole from Paris to Seoul crash-landed in the Soviet Union. Two passangers were killed when the fighters opened fire.

Foreign exchange fall

The Swiss National Bank said yesterday its foreign exchange fell SwFrs.263m. to SwFrs.19.646bn. in the week ended April 30, AP-DJ reports from Zurich.

Danish earnings

Denmark's foreign currency reserves fell by Kr.890m. during April to Kr.13.2bn., the National Bank said yesterday. AP-DJ reports from Copenhagen.

Bomb attack

A bomb explosion wrecked a new police barracks in Turin early yesterday, causing damage estimated at L350m. ($400,000), police said, Reuter reports from Turin.

German 'lies'

Herr Klaus Croissant, the former Baader-Meinhof lawyer who fled to France last year, told a Stuttgart Court yesterday West Germany used judicial trickery and lies to mislead the French authorities to extradite him, Reuter *reports from Stuttgart*.

Nine study 'rule book' for growth of EEC

By David Buchan

BRUSSELS, May 2.

ENLARGEMENT of the European Community should not lead to any rise in the disproportionate slice of the EEC Budget that already goes to agriculture, Dr. David Owen, the U.K. Foreign Secretary said to-day. But Britain ranged itself with those member states which want to keep *transitional procedures for* Greece, Spain and Portugal as simple as possible.

The Foreign Ministers of the Nine were taking a first look at the Commission's study *of* the implications and costs of extending the Community to 12. This includes the recommendation that, while negotiations with each applicant country should be treated on their merits, the period during which they adapt fully to EEC rules should not be less than five years and no more than ten, and that it should be divided into two phases.

M. Louis de Guiringaud, the French Foreign Minister, today welcomed *the* two-phase plan, apparently because this would allow some later checks *on the competition* that French farmers fear from the three aplicant countries. In contrast, the West German, Danish and Dutch Ministers, along with Dr. David Owen, considered the case for the Commission's complex transition plan to be unproven.

The Commission's study, which is to be further examined by national officials, *is designed to serve as a sort* of rule book to which Governments of the Nine can refer as the negotiations with the southern applicant countries proceed.

The Commission's opinion on Portuguese entry is due before the end of this month, while the substantive *part of* the Greek negotiations is expected this autumn.

Ministers identified what *they saw as a number of holes* in the study, which its Commission authors have described as a fresco. But Brussels officials detected from to-day's ministerial meeting a desire *not to let the entry negotia*tions stall and a wish to strengthen EEC institutions.

Farm talks, Page 29. Insurance, Page 36

Spain appoints new chief for key state holding company

BY ROBERT GRAHAM

MADRID May 2.

THE CABINET to-day appointed a little known businessman to one of the country's key economic *jobs, the presidency of the State* holding company INI, that accounts for 11 per cent. of in*dustrial production and employs* 6 per cent. of the industrial labour force.

There has been considerable controversy within the Government over who should fill the post, *made vacant by* the resignation of Sr. Franceso Gimenez a fortnight ago.

The new President, Sr. Juan Miguel de la Rica, 46, has been running a domestic appliance company, *Fabrilec*.

He is the candidate put forward by the Minister of Industry, *Sr. Agustin Rodriguez Sahagun.* Some members of the Cabinet are known to have been hesitant about the choice because he lacked national standing, had *limited experience of the* public sector, and was closely tied to Sr. Sahagun.

These reservations *are* believed to have caused the delay in confirming the appointment.

Sr. Sahagun argued hard for a close associate in the INI job, *on the grounds that only in this* way could his ministry function effectively with its most important *operational* arm. INI comes directly under the control of the Ministry of Industry.

The choice is curious nevertheless. Although regarded *as a* technocrat without political affiliations, Sr. de la Rica's links with Sr. Sahagun *could prove* politically embarrassing if INI is to be made a more independent *and efficient institution*.

Sr. Sahagun was brought in to head the Ministry of Industry in *February in what was seen as a* sop to small and medium sized business who had been vociferous *in their opposition to the direc*tion of Government economic policy.

Sr. de la Rica takes over at a time when the Government is preparing a new law for public enterprises, and in this sense his appointment can only be *temporary until the law is* approved.

The previous head of INI, Sr. Gimenez Torres held the post for 15 months. Prominent among his reasons *for resigning* was a growing disaffection with dealing with a succession of industry *ministers who had differing* ideas on their respective roles.

Last December, Sir. Gimenez *Torres wrote a letter of resig*nation, but the then Minister of Industry, Sr. Alberto Oliart, talked him into staying.

Tougher EEC line on steel

BRUSSELS, May 3.

THE EEC Industry Commis*sioner*, *Viscount Etienne* Davignon, today announced tougher measures to enforce *EEC minimum prices for steel* traded within the Community, an EEC spokesman said.

Viscount Davignon warned Foreign Ministers of the Nine that the credibility of efforts to shield the troubled steel industry in the Common Market was at stake, because traders were under-cutting the minimum prices set by the commission for Common Market steel. *He sought* the support of the Nine Governments in what he called a last attempt to apply the system of minimum and reference prices set up last December.

The West German Economic *Minister, Count Otto Lambsdorff*, who also attended the meeting, pledged his support, and commented *that the efforts of steel* traders had outdone the wisdom of EEC bureaucrats, Common *Market sources* said.

Turning to the external part of the community steel policy, Viscount Davignon told the Ministers that the commission has *just concluded an arrangement* to regulate steel imports from Hungary. It already has such *arrangements with Japan, South* Africa, Spain, Czechoslovakia and the six steel exporters of the European Free Trade Association.

Viscount Davignon said that the commission was still conducting talks with Brazil, Bulgaria and South Korea, and efforts to conclude similar arrangements with Poland, *Romania and Australia* had run into difficulties.

The minimum and reference price systems, which apply to *different grades of steel*, were set to regulate intra-community trade in the metal.

He said that the commission will send letters to member governments to-morrow to seek *their co-operation in applying* tougher EEC controls.

He said that a first series of fines on EEC traders would be announced this month for failure to respect community pricing rules.

Reuter

OVERSEAS NEWS

Sadat reshuffles Cabinet amid economic troubles

BY ROGER MATTHEWS

CAIRO, May 2.

PRESIDENT ANWAR SADAT of Egypt announced to-day that he had ordered an immediate Cabinet reshuffle but also warned his critics that they would be risking a confrontation if they continued with their attacks.

Mr. Sadat's decision to make ministerial changes reflects both the mounting sense of unease within the country over recurring economic difficulties and the squabbling within the Cabinet. Dr. Abdel-Moneim El-Kaissouny, the Deputy Prime Minister for Economic and Financial Affairs, is understood to have offered his resignation more than a fortnight ago and it is likely that Mr. Sadat has now decided to accept it.

Other economic ministries may now also be changed, but the fact that Mr. Sadat has asked Prime Minister Mamdouh Salem to carry out the reshuffle indicates that he will be staying on.

During the course of a two-hour speech to 20,000 workers in a northern suburb of Cairo, Mr. Sadat reaffirmed his commitment to the Middle East peace initiative that he launched last November and showed no sign of loosing faith in the ability of the U.S. to bring about changes in Israeli attitudes.

President Carter was "doing his very best." Israel was isolated, and the whole world supported the Egyptian initiative, declared Mr. Sadat. Israel was still shaken by the "earthquake" caused by the peace initiative and had not yet had the courage to take critical decisions. Egypt on the other hand stood firmly by its principles and these included full Israeli withdrawal from occupied Arab territories and the rights of the Palestinian people to establish their own state.

However Mr. Sadat was almost gentle with the Israelis compared with his criticism of domestic opponents. He accused the Left- and Right-wing parties of being defeatist; of trying to drag the country back to the days before the 1952 Revolution when 8.5 per cent. of the population ruled the country, of behaving subversively, and perhaps most ominously of "trying to destroy the social peace of the country."

The People's Assembly, the Egyptian Parliament in which four political trends are represented, received particular attention from the President. He accused some members of trying to turn the people against their Government and referred to a "slanderous trend" within the Assembly which had led to questions becoming accusations.

The country's two opposition newspapers came in for their share of criticism. People should air their views for the good of the country said Mr. Sadat and later threatened that he would have no mercy on anyone who tried to disrupt Egypt's social peace.

A great deal of Mr. Sadat's vitriol was clearly aimed at the country's Left-wing intellectuals and journalists, and the President made constant efforts to identify himself in the public mind with "the farmers and the workers."

Begin hints at progress

LOS ANGELES, May 2.

ISRAELI Prime Minister Menahem Begin hinted at a breakthrough in Middle East peace negotiations as he began a tour of the United States to-day amid signs of improved Israeli relations with Washington.

He said on the plane bringing him from Washington: "With caution, I can say there is hope for another productive negotiating effort."

Though in Washington, Administration officials reacted sceptically to the hint of a possible breakthrough.

A report in a Tel Aviv newspaper quoted Mr. Begin as saying there was agreement with the U.S. about an Israeli military presence on the West Bank and that a proposed referendum of Palestinians had been dropped from the agenda of his U.S. talks. State Department officials said they were unaware of agreement on these points.
Reuter

David Lennon adds from Tel Aviv: Israel's military commander of the West Bank was to-day dismissed by the Defence Minister when an investigation revealed Israeli troops used excessive force in suppressing a demonstration by schoolchildren last month at Beit Jallah, beside Bethlehem.

UN chief in Lebanon 'missing'

BEIRUT, May 2.

THE COMMANDER of French UN troops in south Lebanon was missing to-night after three of his men were killed and seven wounded in guerilla attacks, reliable sources said.

The sources said French troops had mounted a search for Col. Jean-Germain Salvan after trying to contact him for two hours without success following fierce fighting with unidentified guerillas around the port of Tyre.

The Iraqi news agency, reporting from Beirut, said Col. Salvan had been killed. There was no confirmation of this.

The three French soldiers died when their armoured car was destroyed by anti-tank fire near Tyre earlier to-day.

At about the same time, guerillas attacked a UN barracks on the outskirts of Tyre with mortars and automatic weapons.

Sources said at least seven men were wounded in the barracks, and it was feared the final toll would be higher.

The sources said the armoured car exploded in flames after being hit in an ambush less than half a mile from the barracks.

There was no immediate indication whether the attackers were Palestinian guerillas or their Lebanese Left-wing allies.

The fighting came after French troops killed a gunman and wounded two others when they tried to cross U.N. lines towards Israeli-occupied territory in South Lebanon last night.

A UN spokesman confirmed clashes had taken place between UN troops and unidentified gunmen, and that there had been casualties, but he could give no further details.

Travellers from Tyre reported fighting in the hills around the city.

In Sidon, Palestinian guerillas and Syrian peacekeeping troops fought each other with rockets and automatic weapons. First reports said two civilians were seriously wounded.

Palestinians said the fighting broke out after the Syrians tried to arrest a guerilla belonging to the radical Arab Liberation Front (ALF).
Reuter

Australia, Iran talks on nuclear agreement

By Kenneth Randall

CANBERRA, May 2.

AUSTRALIA AND Iran are expected to reach agreement by the end of this week on a bilateral nuclear safeguards agreement, which would clear the way for negotiations on uranium sales by Australia.

The agreement is being negotiated in Canberra by Dr. Akbar Etemad, head of the Atomic Energy Organisation of Iran, and a team of four senior Iranian officials. Their formal discussions are mainly with the Minister for Trade and Resources, Mr. Doug Anthony, and the Foreign Minister, Mr. Andrew Peacock.

Before they leave Australia, however, the Iranian party will also be having discussions with the Australian Atomic Energy Commission and uranium companies.

Although the talks only began to-day, Government officials said that most groundwork had already been carried out through diplomatic channels and there appeared to be no serious obstacles that would prevent conclusion of an agreement within the next few days.

This would make Iran the first country to sign a bilateral agreement with Australia as required in the safeguards policy announced last May by Mr. Malcolm Fraser, the Prime Minister. This would allow a start on negotiating commercial uranium supply contracts, subject to the establishment within a few months of a government marketing authority. Legislation for the marketing authority is currently before parliament.

Iran was one of more than a dozen countries, signatories of the nuclear non-proliferation treaty, to which Australia circulated a draft safeguards agreement earlier this year, based broadly on the Canadian model.

The Iranians have been expressing keen interest in Australian uranium since 1974 and Dr. Jim Cairns, as Deputy Prime Minister at the time, promised that they would be treated favourably when the discoveries in the Northern Territory were brought into production.

Official sources said to-night that Dr. Etemad had indicated in to-day's talks that Iran could have a requirement for uranium rising to 1,000 tonnes a year by 1985. She had two nuclear power plants in operation now, and planned to build another 20 by 1994.

Internal tensions strain Patriotic Front's unity

BY MICHAEL HOLMAN, LUSAKA, MAY 2

THE EASTER FRIDAY assassination attempt on the life of the Zimbabwe African People's Union (ZAPU) army commander, Mr. Alfred Nikita Mangena, and the unsuccessful attempt by at least ten senior members of the rival Zimbabwe African National Union (ZANU) to unseat their leader, Mr. Robert Mugabe, is evidence of serious tensions within Rhodesia's divided nationalist movement.

Yet assessing their significance is difficult, partly because officials in both parties remain reluctant to confirm, let alone discuss, the problems. Despite evidence to the contrary, ZAPU denies that Mangena was wounded when the car in which he was travelling came under fire outside a ZAPU camp in Lusaka.

In the case of ZANU, officials persist in denying what is now public knowledge: the arrests and subsequent trial earlier this month of members of a group conspiring to overthrow Mr. Mugabe.

The group included six members of ZANU's Central Committee: Mukudzei Mudzi (external affairs), Rugare Gumbo (information and publicity), Matuku Hamadzirip (manpower and planning), Kumbirai Kangai (welfare and transport), Crispen Mandizvidza (production and development) and Webster Gwauya (deputy — external affairs).

After a trial last month, the men were sentenced to indefinite hard labour. Their motives were apparently a combination of tribalism (all but one of the plotters are from the Karanga tribe), ambition and possibly ideology — though suggestions that the plotters favoured a closer association with the Russian and Cuban backed ZAPU do not square with reports that at least some of the group wanted stronger ties with China.

But, say ZANU sources, the result is that the Party has been purged of dissident elements and Mr. Mugabe's position is stronger than it has ever been.

No such purge has taken place in Mr. Joshua Nkomo's ZAPU, though rumours abound of confessions obtained from the would-be assassins of Mr. Mangena which have implicated leading members of the Party.

There is also renewed speculation about responsibility for the two small-arms attacks last December on Zimbabwe House, the ZAPU headquarters in a Lusaka suburb. The official explanation blames "agents" of the Rhodesian government. Some reports claim the attackers were members of a rebellious group of ZAPU guerillas encouraged by Mr. Mangena himself. Yet a few days after the incident, Mr. Nkomo introduced Mr. Mangena himself, smiling and waving, at a Press conference at Zimbabwe House.

Perhaps not surprisingly, usually well-informed observers are divided over the significance of these and other incidents: Some Western diplomatic sources suggest that Mr. Nkomo's leadership is being seriously challenged. Others make a far more cautious assessment.

The most frequently raised issue is tribalism, based on reports of a dispute between the Kalanga tribe—from the Plumtree border area of Rhodesia whose members include Mr. Nkomo—and the Karangas—a Shona tribe to which Mr. Mangena and some of the senior military men belong.

The reports need to be treated cautiously. At the executive level ZAPU is—deliberately so—a tribal mix.

What makes difficulties, it seems, is that this mix is not reflected among the rank and file membership drawn predominantly from Matabeleland. Informed sources claim that the Kalanga are in the majority in the army. This, say the sources, has led them to complain that they are inadequately represented at the top.

But there are other divisive issues—with Mr. Nkomo's ZAPU—notably the death of Mr. J. Z. Moyo, killed in Lusaka by a parcel bomb in January 1977, and the decision in October 1976 to ally with ZANU under the banner of the Patriotic Front.

Suspicions about responsibility for the death of Mr. Moyo, who had friends as well as enemies both in ZAPU (in which he was a senior official) and ZANU, have not subsided and some rumours implicate a senior ZAPU official.

In the case of the PF alliance, the ZAPU executive was not unanimous about joining forces with Mr. Mugabe, and the doubt remains. But the interesting feature in both issues is that the various parties do not appear to be divided on tribal lines.

There are other areas of actual or potential discontent. From an organisation with an external wing controlling only a few hundred guerillas two years ago, ZAPU has grown rapidly. Trained strength is now put at 6-8,000, most of whom are based in Angola and Zambia and as many more are in training. ZAPU also has to clothe, feed and educate some 15,000 refugees in Zambia, mainly schoolchildren. This expansion has undoubtedly strained ZAPU's administration and led to dissatisfaction.

Fresh student riots in Lagos

ACCRA, May 2.

THREE GOVERNMENT buildings were destroyed and more than 60 vehicles burned when students rioted in Lagos at the week-end, the Ghana News agency reported to-day.

The agency said 12 people have died in student riots in Nigeria since April 17.

The agency, in a story from Lagos, said the riots followed an increase in student protests against rises in educational fees.

The agency quoted a police statement as accusing students of employing robbers and other undesirables in acts of lawlessness and vandalism.
Reuter

S. Africa sanctions move

UNITED NATIONS, May 2.

UNITED NATIONS members agreed without dissent to-day to recommend economic sanctions, including an oil embargo, against South Africa.

A committee of the whole membership established by the General Assembly to deal with the problem of Namibia (South West Africa) approved the recommendation by 88 votes.

Eighteen countries including the Western members of the Security Council, which are trying to work out a Namibia settlement with South Africa and black guerilla leaders, abstained.

The committee report was expected to be presented to the General Assembly at a plenary session later to-day, or to-morrow.

The UN has been holding a special session on Namibia since April 24.

South Africa last week accepted Western proposals for UN-supervised elections in the territory, but the South West Africa People's Organisation (SWAPO), the other party to the discussions, asked that the talks be re-opened.

The document ignored the Western settlement efforts—which were undertaken without any mandate from the UN—or the South African and SWAPO responses.
Reuter

Communists dominate in Kabul Cabinet

KABUL, May 2.

AFGHANISTAN emerged to-da as the first Communist-rule country in south Asia, wi civilians holding the main po tions of power, after last week military coup.

Authoritative sources he think that thousands of peop may have been killed durin fierce fighting last Thursday an Friday before the Left-wing mi tary junta gained full contro

But there are only three mi tary officers in the new Cabin of 21. They include Colon Abdul Khadir vice-command of the Air Force, who w reported to have led the co in which President Mohamm Daoud was executed. Col. Khad becomes Defence Minister.

Senior diplomats here said th new Government was dominate by members of the pro-Mosco Democratic Khalq (People' Party.

Well-informed sources said was impossible to gauge ho radical the Communist leade ship would be, but it w generally believed it would ste clear of making Afghanistan client state of the Soviet Unio

Mr. Nur Mohammed Tarakk the civilian Head of State an Prime Minister, is chairman an founder of Khalq. Now 65, he believed to be a moderate wh recognises it would be impossib for Afghanistan to function unde present conditions as an orthodo Communist State.

But Badrak Karmal, his senio deputy, Vice-President an Deputy Prime Minister an Hafizullah Amir, the Deput Prime Minister in charge Foreign Affairs, are known to b rigid ideologists. They forme the breakaway Parcham (Flag wing of the Communist Par some five years ago but rejoine the main party in May last yea under Soviet guidance, wel informed sources said.

Graphic accounts of the figh ing during last week's coup hav been given by Western tourist residents and diplomats. The said President Daoud's palac guard of 1,500 men equipped wit tanks and armoured personne carriers, defended the presider tial palace for more than 1 hours despite being heavily ou numbered.
Reuter

● **Andrew Whitley adds from Bandar Abbas, The Gulf** Coinciding with the announce ment of a Communist-led regim in Kabul, the Shah has in augurated the expansion of th country's main naval base a Bandar Abbas.

The new shipyard and suppo and training facilities at Banda Abbas was completed las November at a cost of ove £130m.

MONDALE IN THE PHILIPPINES

Meeting the opposition

BY DAVID HOUSEGO

MANILA, May 2.

VICE-PRESIDENT Walter Mondale of the United States began his 12-day Asian tour here to-day with a broad statement of America's continuing security and commercial interests in the Pacific Region.

The tour is the first made by a senior U.S. official of the area since President Ford's visit in December, 1975 after the fall of Vietnam and is being treated by local governments as having more than the symbolic value the U.S. attaches to it.

President Marcos in his speech of welcome referred to the irritations between the U.S. and the Philippines by which he meant the deadlock in negotiations over the future of American bases here and U.S. allegations of human rights violations by his martial law administration.

At his request, Mr. Mondale will to-morrow see opposition leaders including former President Macapagal, two former Senators and members of the more activist wing of the Catholic Church. They are to press him to cut American military aid to the Philippines which they see as strengthening President Marcos's power to clamp down on dissent.

Mr. Mondale made an indirect reference to human rights in his speech on arrival when he said he hoped that his visit could contribute to the shared values of the two peoples including freedom and individual liberty.

The main discussions here will be over military and economic relations. Mr. Marcos hinted today he hoped for an early solution to the problem of the bases and to a new economic treaty with the U.S. The outstanding issues are the amount of compensation the U.S. will pay for the use of Clark air base and Subic Bay and the demand of the Philippines for jurisdiction over the 16,000 American troops here.

But the chances of real progress still appear to be slight. New American commitments of military and economic aid in payment of rental for the bases would run into unwelcome Congressional probing over violations of human rights and the alleged rigging by President Marcos' administration of last month's general elections.

A member of the election commission, appointed to oversee the polls, made known to-day that he had resigned his post. Mr. Casimiro Madarang said the failure of the commission to inquire into falsification of votes in the central Visayas had destroyed the credibility of the commission. He declared President Marcos' sincerity in guaranteeing free elections had been gravely imperilled.

Mr Mondale's seeking out of the opposition leaders reflects considerable U.S. embarrassment over last month's elections to the National Assembly—the first since martial law was decreed in 1972.

A major factor in President Marcos's decision to hold them was the U.S. administration's argument that congressional approval for military and economic aid would be easier to obtain if Mr. Marcos could point to the support of a popularly elected assembly.

Mr. Mondale's difficult task is to soothe Mr. Marcos—an ever unpredictable ally who is currently resentful at American interference in his country—while in no way condoning the abuses that occurred in the election.

The six opposition leaders he is due to meet represent a cross section of the conservative critics of Mr. Marcus. They include former President Macapagal, an ex-Foreign Minister, Mr. Salvador Lopez, two members of the Church, and the defence counsel to Mr. Benedicto Aquino — the arch-foe of Mr. Marcos who has been held in military custody for the last five years on charges of subversion and murder.

Sources close to the opposition leadership say Mr. Mondale's help will be sought in transferring Mr. Aquino's case to a civilian court and in securing the release of political prisoners being held without trial.

President Ferdinand Marcos of the Philippines and (below) Vice-President Walter Mondale of the U.S.

Killing tax cuts would cost 1m. jobs, Schultze warns

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, May 2.

MR. CHARLES Schultze, President Carter's chief economic adviser, strongly warned to-day that abandonment or substantial reduction of the administration's proposed $24.5bn. tax cut could have severe consequences for the U.S. economy.

In a speech to the National Press Club, the Chairman of the Council of Economic Advisers said that those who advocated dropping, reducing or delaying the tax proposals misunderstood the nature of the inflationary problem confronting the country.

This, he argued, stemmed not from excess demand but from considerable slack in the economy. Abandoning the tax cuts "might have a small effect on the rate of inflation. But that slight improvement would come at enormous cost—a million jobs and $40bn. of lost output by late 1979."

Spurred by inflationary fears, Congress is at work dismembering the tax package, particularly its reform aspects. Senior members of Congress, such as Mr. Al Ullman, chairman of the Ways and Means Committee, have advocated a net tax reduction appreciably less than that recommended by the President.

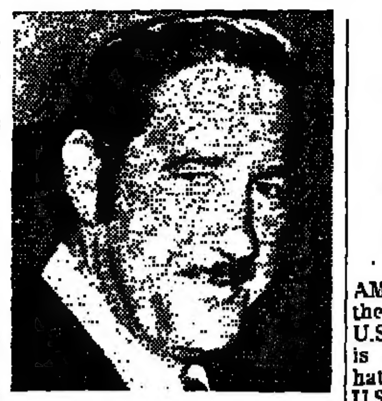
Perhaps more importantly, Mr. William Miller—the new Fed chairman who appears to be donning the conservative mantle worn by his predecessor, Dr. Arthur Burns—has called for the cuts to be delayed by several months. If passed by Congress, they would take effect in October.

To-day, Mr. Schultze agreed that inflation was a critical problem. He even formally upgraded the administration's public estimate of the underlying rate of inflation in the economy to the 6¾-7 per cent. range from the 6 per cent. plus area. This constitutes the first public admission that inflation has got worse. However, senior officials have been using privately the higher numbers for at least a couple of months. Mr. Schultze even acknowledged that things might get worse before improving later in the year, particularly given upwards pressure from the volatile food sector.

But, he went on, slowing down the economy appreciably was no solution. "A weak economy pulls down inflation very slowly and at great cost once inflation has gotten started," he said. Specifically, he estimated that, without the tax cuts, economic growth would start to taper off later this year, and fall to 3 per cent. in 1979. Capital investment and personal spending would be discouraged, with the inevitable consequences on employment and even industrial supply bottlenecks.

With the tax cuts, however, he predicted 4-4.5 per cent. per annum real growth in this year and next. "With the prospects for economic expansion a shade less optimistic now, the tax reduction proposed by the President is all the more essential," he said.

Meanwhile, a more aggressive approach was espoused in a speech yesterday in Atlanta, Georgia, by another administration official, Mr. Barry Bosworth, head of the Council on Wage and Price Stability, said the government was prepared to subpoena corporate records as part of the anti-inflation drive and urged senior company executives to accept no more than a 5 per cent. pay increase this year.



Mr. Robert Vesco

Objection to citizenship for Vesco

SAN JOSE, May 2.

SR. RODRIGO CORAZO, the Costa Rican president-elect, was due to testify to-day before authorities against a proposal to grant Costa Rican citizenship to the fugitive U.S. financier Mr. Robert Vesco. A spokesman for Sr. Corazo said that he plans to enter his objections in person—or through a lawyer—at the Civil Registry Office in San Jose.

Costa Rican law requires the favourable testimony of at least four nationals for a person to acquire citizenship. It also allows any Costa Rican to enter objections.

Three servants in Mr. Vesco's household, and a former President, Sr. José Figueres, an old friend, have testified in favour of the application. The registry has a period of eight days to study objections before issuing a resolution.

Mr. Vesco, who has lived in Costa Rica since 1972, is wanted by the U.S. Securities and Exchange Commission in connection with an alleged $224m. embezzlement at Investors Overseas Service when Mr. Vesco was head of that mutual fund.

During his election campaign this year, Sr. Carazo promised to have Mr. Vesco expelled from Costa Rica after he takes office on May 8. AP-DJ.

Treasury starts sales of notes

BY STEWART FLEMING NEW YORK, May 2.

AMID GROWING SIGNS that the new 8¼ per cent. level of U.S. prime rates, set last week, is spreading from Chase Manhattan Bank to other leading U.S. banks, the U.S. Treasury began a major refinancing programme to-day.

The Treasury sale of $4bn. of securities is expected to underline the sharp rise in U.S. interest rates during the past two weeks with some analysts predicting the Government will have to offer investors the highest yields for three years to attract buyers.

The first stage of the financing, an auction of $2.5bn. of ten-year notes, was completed this afternoon. It brought investors an average rate of return of 8.29 per cent., considerably higher than the 8.25 per cent. which had been widely predicted. The Treasury received $5.02bn. of tenders at yields ranging from 8.26 to 8.30 per cent.

The rate of return is the highest on a medium-term (five-to-ten-year maturity) Treasury security since August, 1975, when the yield on a six-year issue reached 8.75 per cent. As far as ten-year notes are concerned, the yield to-day is the highest since the second world war.

To-morrow, the Treasury will sell a further $1.5bn. of bonds maturing in 2000. Investors were anticipating a yield of 8.45 per cent. on the sale. The $4bn. proceeds will be used to repay $5.9bn. of maturing debt, reducing outstanding debt by $1.9bn.

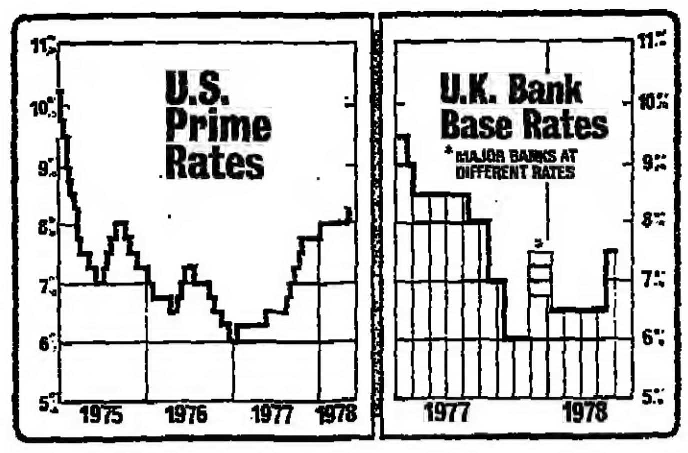
Traditionally, an 8 per cent. or more return on U.S. Treasury issues has tempted investors to transfer funds from savings and loan associations to the public debt market and has been seen as a critical point in a drift to higher interest rates because of the potentially damaging impact of such diversion of funds on house building and the economy.

There are fears that there will be growing signs of such diversion of resources now, although economists point out that early withdrawal penalties on funds in savings accounts will slow moves by private individuals to withdraw funds from savings and loan associations — the U.S. equivalent of British building societies.

In the wake of last week's rise in the commercial bank prime lending rate initiated by Chase Manhattan Bank, two of the largest U.S. banks yesterday also raised their prime rate. First National Bank of Chicago, one of the top 10 U.S. banks, said it was raising its prime to 8¼ per cent. and Crocker National in San Francisco, which ranks in the top 15 U.S. banks, made a similar announcement.

Although no other major New York banks apart from Marine Midland have yet followed Chase, these latest moves indicate that the higher prime—the rate banks nominally charge their best customers—is spreading. Some analysts are even predicting that a further increase to 8½ per cent. cannot be ruled out.

Thus, Mr. William Griggs of Schroders in New York says: "The prime rate is already in the process of going up to 8¼ per cent. and it may well move to 8½ per cent. in the next few weeks."



U.S. steel price rise warning

BY OUR OWN CORRESPONDENT NEW YORK, May 2.

SENIOR EXECUTIVES in the U.S. steel industry are warning that another increase in steel prices, the third this year, may be needed to offset rising costs.

Yesterday, Mr. Edgar Speer, chairman of U.S. Steel, the largest steel company, said that unless improvements in productivity offset cost increases the company may need an additional price increase later in the year.

Mr. Speer linked his remarks to a promise that the company would do "everything we can to contribute" to President Carter's anti-inflationary programme. But any warnings of future price increases seem certain to set alarm bells ringing in Washington where Government officials are highly sensitive about rising steel prices which spread through the economy.

Already this year, the steel industry has pushed through two price increases, one of about 5.5 per cent. beginning on February 1, and one of around 1.5 per cent. which came into effect on April 1. Most analysts see the industry adopting a policy of small but frequent price rises to avoid presenting the Government with a single big rise in a year.

Even small increases are coming in for Government monitoring, and the recent 1.5 per cent. rise came after the Carter Administration said that a higher increase proposed by U.S. Steel of 2.2 per cent. was not justified.

Turning to the performance of the company which suffered a $58.7m. loss in the first quarter of the year, after earning a return of only 2.7 per cent. on stockholders' equity in 1977, Mr. Speer predicted that strong market demand for steel would lead to a profitable second quarter. In the second half of the year, the company would earn a profit higher than the $34.2m. of last year.

On the Government's trigger price system for controlling steel imports, Mr. Speer said that with imports for the first quarter totalling 5.7m. tons compared with 3.3m. tons a year ago, the mechanism had not yet been effective.

Geological problems over storing N-waste

BY DAVID BELL WASHINGTON, May 2.

"CRITICAL geological stumbling blocks" must be removed before the U.S. can be sure that permanent underground storage sites for its atomic waste are safe, the U.S. Geological Survey reported to-day.

The survey report is bound to increase the controversy about the safe storage of nuclear waste which has been gathering momentum here in recent months. But survey scientists say that, despite obstacles, they are confident "that acceptable underground repositories for radioactive wastes can be constructed."

However, the scientists say in their report there are five critical areas that need much further study. In particular, the team says more information is needed about how water moves around potential storage sites, about how salt beds (in which waste might be stored) behave geologically over a period of time, about whether rock burial might be safer and about the environmental effects of nuclear waste on surrounding ecological formations.

President Carter, who last year recognised that the long-term disposal of nuclear waste was among the most serious problems facing the nuclear industry worldwide, originally called on the Department of Energy to devise a safe scheme by 1985. But a recent report by the Department said that such a scheme could not be ready until 1988 at the earliest.

Meanwhile Dr. Newell Trask, a spokesman for the Geological Survey team, said to-day that "radioactive wastes from nuclear reactors are accumulating in temporary storage facilities across the country. Continued expansion of nuclear power depends on an acceptable solution to the problem of how to isolate from the environment for thousands to hundreds of thousands of years the current and future wastes that will be generated."

Concern about waste has been a major preoccupation of the anti-nuclear demonstrators who have now re-grouped and begun a series of demonstrations at selected sites around the country. About 280 non-violent protesters were arrested last nigh (outside the gates of a reprocessing plant in Barnwell, North Carolina. This facility has not yet been used and the demonstration took place on the first anniversary of the occupation of a nuclear power plant construction site at Portsmouth, New Hampshire.

U.S. COMPANY NEWS

Kennecott confident of victory in proxy fight: Stock issue backed at Chrysler: L'Air Liquide in deal with Allegheny Ludlum—Page 35

House committee rules out W. German tank gun

BY OUR OWN CORRESPONDENT WASHINGTON May 2.

THE HOUSE Armed Services Committee has quietly voted to delete from the Defence Department budget some $8m. which were to be spent on a West German gun for the later models of the new U.S. Army tank, the XM-1.

The vote, which can be reversed later, may not make much practical difference to the programme, but it comes at an unfortunate time, with the Nato summit meeting due to take place in Washington later this month. The Carter Administration has cited its willingness to buy the German gun as evidence that it is prepared to create a "common Nato Market" for weapons.

Sources on the Committee said that the money had been withdrawn "without prejudice" because staff had not completed their study of the gun. They said that the money could easily be put back into the budget at a later stage. The Defence Department has begun intensive lobbying to try to persuade the committee to change its mind, but it is unlikely to do so for the moment.

Mr. Samuel Stratton, the chairman of the committee, has never been happy with the German gun proposal, and has lent a sympathetic ear to senior army officers who have had private reservations about it.

Canada Tories encouraged by opinion poll

The possibility of a summer election in Canada began to fade in Ottawa yesterday, after the publiccation of the latest Gallup Poll results, showing the Progressive Conservatives level with the ruling Liberal party, with 41 per cent. each of the vote, Victor Mackie writes from there. MPs, surprised by the poll speculated that the election may now be hel din the tuhumn, or even in the spring of 1979, and not in the summer as was widely expected. The Progressive Conservative leadership played down the implications of the poll.

Senate farm vote

The U.S. senate yesterday overwhelmingly approved increased loans for financially pressed farmers and higher price supports for wheat, AP-PJ reports from Washington. The loan legislation adds $4bn. in loans and loan guarantees to existing farm loan programmes.

Mexican official jailed

Sr. Fausto Cantu Pena, until last week the head of the Mexican coffee institute, has been formally committed to prison, with most of his senior staff, our Mexico City correspondent writes. In the fourth corruption scandal involving senior officials from the 1970-76 presidency of Sr. Luis Echverria, they are accused of defrauding the tax authorities by smuggling coffee to the U.S. and making some $10m. in the first two months of this year alone. Support for Sr. Cantu Pena and his colleagues has come from unexpected quarters, including the Communist Party, because Sr. Cantu claims that he had been denouncing smuggling and tax evasion to the authorities for more than a year, laying the blame at the doors of the customs, who come under the aegis of the Finance Ministry. It was on the basis of a ministry inquiry that Sr. Cantu was arrested and Finance officials were cleared.

WORLD TRADE NEWS

New move for action on Eximbank over S. Africa

BY DAVID BELL — WASHINGTON, May 2.

THE HOUSE Banking Committee voted last night to stop the United States Export Import Bank from supporting any U.S. business activity in South Africa until that country make "substantive" progress in a dismantling apartheid.

The vote coincides with a series of demonstrations on campuses around the U.S. at which students are demanding that universities withdraw their investment funds from companies operating in South Africa. The latest took place last night at Columbia University, New York, when some 250 students occupied the administration building.

Yesterday's vote by the Banking Committee has yet to be tested in the full House and in the Senate but it indicates growing opposition within Congress to the South African regime. If approved by Congress it would prohibit Eximbank from supporting any U.S. exports to other businesses in South Africa.

The bank has already sharply reduced its involvement in South Africa but is currently funding U.S. exports worth some $200m. Since 1964 it has been prohibited from making direct loans to South African buyers of U.S. goods, but it has continued to provide various kinds of insurance and guarantees for U.S. private bank loans.

Apart from its action on South Africa the Banking Committee also voted yesterday to raise the lending authority of the bank from $25bn. to $40bn., which is considered by the Administration to be an essential first step in its plan to encourage a far higher level of U.S. exports.

The bank has been criticised in recent weeks for failing to help American exporters sufficiently.

● Concern is growing in the U.S. aircraft industry over European Government financial support for aircraft and engines bought by U.S. airlines, our aerospace correspondent writes.

Pressure is increasing on the U.S. Government to improve direct financial support for U.S. aircraft sales or find some way of blocking certain recent deals involving European products.

The two orders that appear to cause most concern are the Eastern Air Lines purchase of 23 Airbus A-300s for about $800m. (over £400m.), and the Pan American choice of 12 Lockheed TriStars with Rolls-Royce RB-211 engines, with an option on 14 more, worth, in all, about £250m.

In both cases, details of the financing are still being worked out. But, broadly, the Airbus deal is being guaranteed by the French and West German Governments and the Pan Am deal is being financed by U.S. and European banks and other institutions, underwritten by the U.K. Government-sponsored Export Credits Guarantee Department (ECGD).

Toa buys 'super' DC9s

BY CHARLES SMITH — TOKYO, May 2.

TOA DOMESTIC Airlines, the smaller of Japan's two domestic airlines, has announced plans to buy five DC-9-80 aircraft at a total cost of about $80m. The new DC-9s, with seating capacity of 170, are designed to reinforce TOA's existing fleet of 22 DC-9-41s with a seating capacity of 128.

The new "super" DC-9s were included in the aircraft shopping list announced by Toa at the end of March in response to requests by the Transport Ministry to all three Japanese airlines for details of their purchasing plans over the next year or so.

ICI ethylene plant for U.S.

BY KEVIN DONE, CHEMICALS CORRESPONDENT

IMPERIAL Chemical Industries has taken an important step towards establishing a manufacturing presence in the U.S. in downstream petrochemicals.

It has commissioned design and engineering studies for a 200,000-tonnes-a-year ethylene oxide and ethylene glycol plant to be built at a Texas site.

ICI Americas is already engaged in a joint venture in the U.S. to build a $800m., 550,000-tonnes-a-year ethylene plant at Corpus Christi, Texas. But this latest announcement is the first indication of the subsequent manufacturing steps ICI will follow when this plant is complete.

Ethylene is the most important base petrochemical and is a major raw material for products ranging from plastics and synthetic fibres to paints and liquid detergents.

The establishment of a manufacturing presence in the U.S. is one of ICI's chief strategic objectives along with the building up of its market and manufacturing plants in continental Europe.

The ethylene oxide and glycol plant is still to receive final sanction by the ICI main Board, but this could follow later this year.

If the project goes ahead, much of the production would have to be marketed directly, although ICI already has some captive derivative uses

GATT discussions bring progress on key issues

BY DAVID BUCHAN — BRUSSELS, May 2.

THE EEC Commission has made progress in the GATT trade talks in Geneva, with the Community's chief trading partners, Japan and the U.S., on safeguards and subsidies. Foreign Ministers of the nine were told here today.

But Herr Wilhelm Haferkamp, the EEC External Affairs Commissioner, also said the Commission still considered the Japanese and American offers on tariff reductions inadequate, so the EEC has tabled exemptions to its unconditional GATT offer in January.

Indications that the Bonn economic summit in July might be able to sanction an outline GATT agreement were provided by the news that Japan and the U.S. were ready to "accept the principle" that action against imports should be made more selective and flexible. Import curbs under GATT Article 19 must now be made against all countries.

Herr Haferkamp also said the U.S. was prepared to change its domestic legislation, so that U.S. countervailing duties would only be imposed where "subsidised" foreign goods could be proved to have caused material damage to American industry. In return, the U.S. is demanding greater discipline on export subsidies.

Foreign ministers took the Commission's view that the Japanese tariff cuts offer is unsatisfactory. The Japanese term it a 40 per cent. cut, but the Commission says that is only based on out-of-date tariff levels and the reduction is only 18 per cent.

● The combined trade deficit of the seven-nation European Free Trade Association (EFTA) grew from $10.5bn. in 1976 to $12.9bn. last year, Reuter reports from Geneva.

An EFTA statement said six of the member nations saw their trade deficits rise last year, while Finland turned a $1bn. deficit in 1976 into a surplus of $58m. last year.

The statement said the bulk of the combined EFTA deficit —$11.8bn. related to trade with the nine-national European Common Market. To counteract this development, some of the EFTA countries were taking measures to reduce their trade deficits

Norwegian defence deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE U.K. is understood to be close to completing a multi-million pound defence deal with Norway, involving the sale to that country of British Aerospace guided weapons, including the Rapier anti-aircraft missile, Westland Lynx helicopters and other items.

Negotiations have been in progress for more than a year, and it is hoped that they may be completed by midsummer. The precise value of the deal is not disclosed, but it is likely to be among the largest U.K. defence sales for some time, with deliveries of the items involved spread over a number of years.

Recent reports suggesting that Norway may be seeking some kind of offset for the deal, in the shape of U.K. imports of Norwegian products, are not confirmed in the U.K. The U.K. aerospace industry, however, accepts that offset or "barter" deals are now becoming a fact of life in winning major sales of aircraft and guided weapons, and while it would always prefer cash deals, it is ready to discuss barter deals if this proves to be the only way of securing a contract.

It is possible, for example, that Norway may seek to follow in the wake of Finland's recent £100m. purchase of 50 U.K. Hawk trainer and combat aircraft, which is covered by an extensive barter deal, whereby the U.K. not only has agreed to import more Finnish goods but also help Finland sell its products in other world markets.

Lynton McLain writes: Norwegian inquiries about buying submarines from Britain are "very much at an early stage," British Shipbuilders said last night.

The Ministry of Defence would not confirm that talks were taking place between Britain and Norway. But if submarines are ordered from Britain they may be based on a German design commissioned by the Norwegians. The British Defence Sales Organisation would probably handle the sale.

Vickers, now part of British Shipbuilders, has had no direct contact with the Norwegians. Its latest dealings with Norway were a joint design exercise for an advanced coastguard vessel.

Swedish pulp outlook

BY WILLIAM DULLFORCE — STOCKHOLM, May 2.

THE SWEDISH pulp makers have cut back their expansion plans for this year and next but over the five-year period to 1983 total capacity is expected to grow from 11.5m. tonnes to 12.5m. tonnes.

This will not increase the chemical pulp available to outside customers (the so-called market pulp), as the extra capacity will be used to expand the Swedish mills' own integrated paper and board output. These conclusions can be drawn from a survey by the Swedish Pulp and Paper Association, reported in its April bulletin.

The survey also indicates an expansion of Swedish paper and board production by 1.3m. to 8.3m. tonnes by 1983. This gives an annual rate of increase of 3.5 per cent., roughly in line with the FAO forecast of annual world consumption growth of 3.7 per cent. between 1975 and 1990. It is, however, higher than the 3 per cent. growth in paper and board consumption forecast for Western Europe, the Swedes' main market.

Saudi project choice

Ralph M. Parsons Co. has won a contract, believed to be worth $10bn., for exclusive management services in a big industrial complex at Yanbu, Saudi Arabia, Reuter reports from Pasadena.

Steyr-Sears contract

Steyr-Daimler-Puch is to supply Sears Robuck with moped motors for assembly from 1979 by bicycle producer Murray Ohio and subsequent sale by the U.S. retailer, Reuter reports from Vienna.

W. Bank cement plant

THE FRENCH company Fives Cail Babcock has no intention of investing in a cement plant in the West Bank, as reported in the Financial Times on April 21. The company said it did not plan any involvement in such a project.

China orders advanced French anti-tank missiles

HONG KONG, May 2.

CHINA, WHICH is seeking to modernise its armed forces, has placed its first order for sophisticated weapons from the West, the Asian Wall Street Journal reported.

Wu Hsiu-Chuan, deputy chief of general staff of the Chinese People's Liberation Army, telling military affairs specialists of China's plans for an eventual takeover of Taiwan, said France had agreed to sell China anti-tank missiles and related technology.

His remarks were reported in Mainichi Shimbun in Japan and a Chinese translation was carried in Ta Kung Pao, Hong Kong's Communist newspaper. The article's appearance in Ta Kung Pao is taken as confirmation of its accuracy.

The account said Wu disclosed that China is working on anti-tank missiles but that progress had been unsatisfactory.

China had bought "a certain number" of French Hot long-range anti-tank missiles which with the shorter-range Mila the Chinese are known to have been interested in acquiring. The Hot missile is far superior to anything in the Chinese arsenal.

The Chinese made it clear more than a year ago that they were interested in big arms purchases from the West. Acquisition of weaponry is part of the nation's drive to modernise areas by the century's end.

AP-DJ

Australian surplus talks

BY JOHN HOFFMANN — PEKING, May 2.

DURING THE first few days of a 10-day visit to China Mr. Phillip Lynch, Australian Minister for Industry and Commerce, has talked with senior members of the trade and industrial ministries.

According to Mr. Li Chiang, Minister of Foreign Trade, China did not ask for an absolute balance of trade with Australia, but there was an imbalance and it was up to both sides to do something over the long term to even it out.

Mr. Lynch has secured assurances that China needs to import Australian raw materials, technical know-how and agricultural produce.

Until China achieves its industrial goals, however, it is not likely to be able to offer Australia goods of equivalent value.

In 1977 Australian exports to China were worth $413.5m. In return Australia bought goods worth only $111.8m. from China. The trade imbalance is not always so great.

However, China's consumption of Australian raw materials is almost certain to accelerate and that will tip the balance even more in Australia's favour.

Sydney Morning Herald

Kenneth Randall writes from Canberra: Chinese Government officials have indicated a keen interest in buying big quantities of Australian iron ore and other minerals, steel and agricultural equipment as part of the new national seven-year plan to develop science and technology.

Mr. Lynch's arrival was at the right time to capitalise on the adoption of the new programme.

Mr. Lynch has been told that the Chinese want to make a "comprehensive study" of what Australia has to offer in all aspects of the plan. It has been suggested that purchases of Australian iron ore might rise to about 7.5m. tonnes a year by 1985, a 240 per cent. increase

Duty warning in dumping probe

BY KENNETH RANDALL — CANBERRA, May 2.

AUSTRALIAN CUSTOMS authorities investigating dumping allegations have warned importers that continued dealing in the goods concerned might involve them in restrospective penalty duties.

The investigations involve car hoists from Britain and Japan, automotive oil filters from Thailand and paper and paperboard products from Sweden, Finland and Canada.

The Government's temporary assistance authority has also been asked for an emergency report on imports of certain types of glass and porcelain electrical insulators.

India in £22m. Vietnam rail wagons order

By Our Own Correspondent — NEW DELHI, May 2

INDIA WILL export to Vietnam railway equipment worth R350 (£22m.). A contract was signed here between Mr. Suresh Chandra, executive director of the State-owned Projects and Equipment Corporation (PEC) and Mr. Le Quang Tuong, director general of the Vietnam national machinery import-export corporation, Machino Import.

It is one of the biggest single orders for railway equipment placed in India and indicates international acceptance of the quality and competitiveness of Indian rolling stock, Mr. Suresh Chandra said.

Under the contract, PEC will supply Vietnam Railways with 980 wagons, 50 passenger coaches, about 1,000 bogies for coaches and wagons, and spare parts. The rolling stock will be specially designed and constructed for Vietna mRailways, which uses metre gauge.

Vietnam will finance the purchase of the railway equipment from the R300m. commercial credit extended by the Industrial Development Bank of India and R100m. bilateral credit from the Indian Government. The agreement for the credit was completed during the Vietnamese Prime Minister's visit to India last March.

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HOME NEWS

Texas Eastern plans £165m. N. Sea stake

BY RAY DAFTER, ENERGY CORRESPONDENT

TEXAS EASTERN, a U.S. energy group with a stake in several U.K. oil and gas fields, is planning to invest more than $300m. (about £165m.) in North Sea activities over the next five years.

Dr. George Kirby, chairman and chief executive, said that the investment could be much higher if the company succeeded in expanding interests outside the oil- and gas-producing sectors. Texas Eastern was considering diversifying into the offshore services industry, for example.

The North Sea represents the company's fastest-growing oil-producing region and, as a result, the group is now seeking to raise its activities in the U.K.

To-day the directors will hold a regular Board meeting in London, the first time that such a meeting has been convened outside North America.

The company has varying interests in southern gas fields as well as oil discoveries in the northern waters of the North Sea. Its share of production from the Montrose and Beryl Fields amounted to 16,100 barrels last year.

Dr. Kirby indicated that the group, which has already invested $300m. in the North Sea, could soon be involved in the exploitation of further oil reserves. Development decisions for the Amoco group's North West Hutton Field and the Amoco/Conoco groups' nearby Hutton Field could be taken within the next six to nine months.

The two fields might use a joint oil transportation system, either an offshore loading unit or pipeline.

Exploitation of the Statfjord and Murchison fields, in which the company has minority interests was also proceeding, Dr. Kirby added. The possible development of the Mobil Group's North Beryl structure was also being studied.

Dr. Kirby avoided being drawn into the controversy, generated by other U.S. oil executives, over the growing role of the British National Oil Corporation.

"We want to invest more money. We have ben here 15 years and this has been of great value to us," he told the Financial Times.

"If regulations in future are reasonable we will continue to play our part. After all, our business is already heavily regulated in the U.S. and dealing with Governments and Government agencies is nothing new."

The company, whose revenues exceeded $2bn. last year, is among the Amoco group which is expected to sign State participation terms with the Government and the oil corporation later this week.

The corporation is expected to be granted the right to buy a large share of the oil produced from the Montrose Field.

If the deal is signed the partners in the venture—Amoco, Amerada Hess, British Gas Corporation and Texas Eastern — will have a good chance of being awarded new exploration areas under the sixth round of licences.

The proposed conditions for these new licences are expected to be unveiled by the Energy Department next week.

The Amoco group failed to obtain any licences under the fifth round of allocations, largely because of its opposition to voluntary State participation arrangements.

Brewers 'will increase choice'

By David Churchill

THE MAJOR brewers last night agreed to review over the next six months the extent of local monopolies and to take steps to increase competition.

The agreement came after talks between the Brewers Society and Mr. Roy Hattersley, Prices Secretary. As expected, the brewers also agreed to freeze beer prices at least until early next year. This followed the example set last week by the two main brewers, Bass Charrington and Allied Breweries, to impose a voluntary price freeze.

The agreement to improve competition follows a recent Price Commission report which highlighted the barriers to competition in some areas caused by brewers' monopoly of public houses.

But the Brewers Society pointed out after last night's meeting that the number of brewery-owned public houses is declining as a proportion of licensed outlets and that this trend was accelerating.

It also said that competition between public houses was basically between the package of amenity and drink which each outlet offered. "This competition is effective and keeps prices down."

Following the results of the brewers' survey of local monopolies, it is likely that breweries will arrange to swap public houses in certain areas to improve competition.

The brewers had also agreed to see how draught ales could be exchanged in some areas where the tied houses system operated.

The future efficiency of the industry would be aided by a study of both past and planned investment, undertaken by the brewing working group on the food and drink manufacturing industry economic development council.

Three of London docks may close

BY LYNTON McLAIN, INDUSTRIAL STAFF

COMPLETE CLOSURE of the Millwall, India and Royal group of docks on the Thames is one of the options in a new five-year plan prepared by the Port of London Authority to cut mounting financial losses and prepare the way for increased specialisation at Tilbury.

Some of the options are in a discussion document on the future of the docklands to be published on Friday with the 1977 annual report, which is expected to show a loss of £6m. and a further drain on the financial reserves of the authority, continuing the fall from £50m. to £10m. in 1976.

Full details of the five year plan will remain confidential. The full plan contains commercially sensitive costed options including the possibility of building major new terminals down river.

The authority says it has no spare cash to finance any of these changes, needed to keep the port competitive. The possibility of cash from the Government has already been considered and Mr. William Rodgers, Transport Secretary is giving the matter "urgent consideration."

The department said he recognised the seriousness of the position. He had had several meetings with Mr. John Cuckney, chairman of the authority.

Increased productivity at the £60m. Tilbury container terminal downriver of the threatened docks helped boost the cargo handled last year by 2.5m. tonnes to 51m. tonnes.

But the older docks are now seriously under-used. Only half the 28 berths at the India and Millwall complex are operational and at the Royal group only 14 out of 40 are in use.

"Very important decisions have got to be made very quickly," the authority said last night. "These will not be popular."

EEC will encourage steel making from scrap metal

BY ROY HODSON

THE EUROPEAN Economic Community will encourage the expansion of steel making by the electric arc process based on scrap steel, although all other forms of steelmaking will be pegged at present levels by the Davignon Plan.

The purpose of the plan is to maintain orderly markets for steel in Europe.

Viscount Etienne Davignon, the European Industrial Commissioner, has the backing of the other European Commissioners for his two-part programme, which will protect the European market from low-priced imports of steel, and monitor the EEC steel industry to prevent unnecessary growth in steel-making capacity in the next few years.

An exception is being made in the case of electric arc steel-making because EEC officials believe it is in the interest of the Community to keep scrap steel circulating in use in the Nine.

The British scrap industry had virtually a general licence from the Government since last year to export scrap to third nations.

Nearly 800,000 tonnes of British scrap have been sold to Spain in the past year. Total exports are running at 1.3m. tonnes a year.

The price of good British steel scrap has risen from £25-£28 a tonne to £35-£40 a tonne in recent weeks assisted by the willingness of British Steel and the private sector companies to pay higher prices.

British Steel has decided to boost its biggest scrap-based steel-making plant—the electric arc Spear furnaces at Rotherham—by equipping it with a new continuous casting unit.

De Beers wins back gem sales control

By Paul Cheeseright

A SIGNAL that the De Beers Central Selling Organisation had won back control of the world rough gem diamond market came yesterday when clients at one of its 10 sales a year in London were offered a larger volume of stones.

Some estimates put the stones offered at 15 per cent. above the abnormally low volume of gems pushed on to the market at the April sale.

De Beers merely confirmed that more stones were on offer: "We are back to normal," it said. The company has a near monopoly on world sales of rough stones.

But all stones are subject to a 25 per cent. surcharge on the list price established in December. At the April sale the surcharge was 40 per cent., as De Beers sought to curb speculative trading.

Until early April the international rough stone market had been distorted by the hoarding of stones and the payment of premiums on the open market running at a level often 50 per cent. above the Central Selling Organisation price. The hoarding, centred on Israel, has now stopped and some stones are coming back into circulation.

Regular

The reduction of the surcharge and the increased volume of stones available to the 300 clients who attend the De Beers sales indicate that the flow of diamonds from the mines through the processing industry to the jewellers is becoming more regular.

But manufacturers from Antwerp, the world's largest diamond manufacturing centre, said that the offering at the present sale was by no means large and saw no reason to change their earlier calculations that the selling organisation is in fact short of stones to satisfy the market.

Concrete cartels 'save money'

By Michael Cassell, Building Correspondent

A SYSTEM of informal pricing agreements between companies in the ready-mixed concrete sector had provided customers with considerable savings, Ready Mixed Concrete, one of the industry's major suppliers, claimed yesterday.

Agreements operated by several of the company's principal U.K. subsidiaries, along with those of other suppliers, were placed on the register of restrictive practices last year after investigations by the Office of Fair Trading. The controversial arrangements have now been halted.

Ready Mixed Concrete's annual report, published yesterday, Mr. John Camden, chairman, says that after a period of continued expansion up until 1973, the ready-mixed sector faced a sudden and substantial fall in demand because of the construction industry recession.

"We consider the advantages accruing to the customer from the arrangements may well have been considerable in recent years. They made it possible to plan short-term capacity and contain costs and also to retain stability.

"The retention of valued employees would have become more difficult as the recession deepened if the arrangements had not operated." The company appreciated it was becoming more difficult in the current price market situation to prove that the arrangements were in the public interest.

As a result, the company had not opposed orders made by the Restrictive Practices Court to prevent the arrangements from being continued, although it remained in a very strong position to compete successfully.

Chairman's statement, Page 32

Property group sells Hamburg city project

By John Brennan, Property Correspondent

CAPITAL and Counties Property Company has finally rid itself of the last of its major continental property development schemes, the £21m. Hamburg city centre project.

The development which never progressed beyond the planning stage, has now been sold to the German insurance group Allianz Lebensversicherungs AG, Stuttgart, for DM.26m. (£7.1m.)

Capital and Counties wrote down the book value of this prime site close to its sale price following part repayment of Lloyds Bank International charges on the scheme last year.

Mr. R. A. Moorman, an executive director of the group, said yesterday that "we are very pleased to have sold the scheme, which is far too large for us in our new smaller shape."

The Hamburg site, acquired in 1973, formed part of Capital and Counties' explosive development expansion, which saw a dramatic reversal with the property market crash.

Capital and Counties shares were unchanged at 46p on news of the Hamburg sale.

Post Office to extend circular deliveries

By John Lloyd

THE POST OFFICE will extend door-to-door deliveries of unaddressed circulars along with regular postal deliveries.

The service—known as the Household Delivery Service—was introduced on a limited scale early last year. It is available in a number of head post office areas, and it is intended to extend it country-wide in the next months.

The deliveries will include items such as leaflets advertising special offers, charities' circulars and local authority information.

The cost per item for local delivery will be 1p, and for national delivery 2½p.

Security printers rejected job 'because of Arab boycott'

BY MAURICE SAMUELSON

BRADBURY WILKINSON, the security printing company, refused to print an issue of Eurobonds for an Israeli bank because of the Arab boycott, Lord Mancroft said yesterday in evidence to the Lords select committee studying the Foreign Boycotts Bill.

The Bill, modelled on recent legislation in the U.S., aims to protect British companies which encounter boycott pressures. One of its provisions would oblige companies to report receipt of all boycott questionaires to the Government, which would compile a register.

The former Conservative Minister read a statement on behalf of the Bank Leumi (U.K.), of which he is a diector. It said when the bank's Israeli parent group made an issue of Eurobonds in 1976 Bradbury Wilkinson refused to do the printing. "We had the securities printed by a Dutch firm more cheaply."

Mr. J. Field, managing director of Bradbury Wilkinson, denied the allegation. "We did not turn down any business with the Bank Leumi because of the Arab boycott. If the bank reached this conclusion, it was a misunder standing."

Mr. Zvi Schloss, another Bank Leumi director, said the bank learned of the printer's refusal after arrangements for the printing had already been made. No reasons were given for the refusal and the bank was left to understand that it was because of the Arab boycott.

The case was one of a number mentioned to the select committee as an example of British companies which avoided potential conflict with the Arab boycott by having no Israeli business relations.

Lord Mancroft said such cases were quite frequent and decisions were often made without examining other alternatives.

Bank Leumi U.K. had lost the account of a customer which had been taken over by a large public company which was strongly involved in Middle East trade.

The extent to which some banks accommodated themselves to the boycott was exemplified by a recent circular from Standard Chartered Bank. According to Lord Mancroft it instructed its banking correspondent of ways in which they could effectively handle letters of credit which complied with the boycott in a manner which did not infringe the new American regulations.

These cases seemed to underline the need for effective legislation, he told the committee, which is under the chairmanship of Lord Redcliffe-Maud.

Earlier Lord Mancroft recalled how he had been obliged to resign as a London director of the Norwich Union insurance societies in 1963 after complaints by the Arab boycott office about his simultaneous directorship of the Great Universal Stores, whose chairman, Sir Isaac Wolfson, was a benefactor of Israel.

Lord Mancroft explained that he had been chairman only of the Norwich's London directors—a "small minnow" compared with a directorship on the parent Board in Norwich. There had been allegations that he had incurred Arab displeasure partly because he was Jewish. He had been "astonished", however, when Arab officials assured him that they had not known of his religious affiliations.

He had never been back to the Norwich since, although he had continued to insure with them. He refused to discuss his feelings about the episode, which caused widespread political controversy at the time.

Lord Mancroft sai dhe had been personally harmed much more by the subsequent withdrawal of an invitation to become president of the London Chamber of Commerce in succession to the late Lord Verulam.

Foreign-based funds benefit pensions

FAR EASTERN and European-based funds have shown the best investment equity performance so far this year for pension schemes according to figures published by Harris Graham and Partners, a leading pension consulting firm, covering the first quarter of the year.

The best equity fund was Japan Exempt Fund, managed by Edinburgh Fund Managers, which improved by 48 per cent. London Continental, the European-based fund managed by Drayton Montagu Trust managers, increased by 7.6 per cent.

But overall, equity funds showed an average loss of 1.1 per cent. in the first quarter of this year, compared with a fall of 2.9 per cent. in the FT-Actuaries All Share index. Out of 52 funds analysed, only 20 showed a positive return over the period.

The best fund investing primarily in the U.K. was Tyndall Exempt with a rise of 2.6 per cent. But this fund holds a part of its portfolio overseas, and it has been this overseas portion that has enabled many funds to show a positive return.

Police may probe home loan society

By Michael Cassell, Building Correspondent

POLICE INQUIRIES are expected after disclosure of a £46,000 discrepancy in the accounts of Chorley Permanent Benefit Building Society.

The deficiency was revealed during the preparation of year-end accounts.

The society has assets of £1m. and has emphasised that the deficiency was fully covered by reserves. The Board has decided to seek a merger with the Bradford and Bingley Building Society, which has assets of £900m. and a particularly high asset ratio of 4.28 per cent.

The Bradford and Bingley said last night that discussions involving a transfer of engagements from Chorley Permanent had started about six weeks ago. When the deficiency was brought to light by the Chorley's auditors, the chief registrar of friendly societies was told and he asked the Bradford and Bingley to take charge of the matter. The police had expressed a wish to make inquiries when the final accounts were available.

The Bradford and Bingley said it hoped the transfer of engagements would be completed by the end of next month and full details of proposals would be made available to Chorley members in about a month's time.

The Chorley Permanent is not a member of the Building Societies' Association, which said last night that it had not played any direct part in the takeover proposals.

Moves to establish a rescue fund for investors hit by building society collapses still are being discussed by the association. One of the major discussion points is whether or not the fund would cover non-association members, such as the Chorley Permanent, although in this case total financial failure, such as that of Grays, was not the central issue.

Contraction in consumer electronics trade urged

BY MAX WILKINSON

SUBSTANTIAL contraction and rationalisation of capacity in the consumer electronics industry is recommended in an industrial stategy report published to-day.

The report, from the Electronic Consumer Goods Sector Working Party of the National Economic Development Council, says that further jobs will be lost in the short term.

The working party believes that the industry's fixed assets are currently being operated at only about half their potential capacity.

"As a matter of urgency, the industry's capacity should be rationalised by perhaps 20 to 30 per cent."

It also calls for further curbs on imports of black-and-white television sets and audio equipment to allow the U.K. companies a breathing space to recover.

Imports

"There is great concern at [illegible] import penetration threatens the viability of U.K. manufacture of monochrome television and audio products. Inter-industry talks between the U.K. and Japanese consumer electronics industry have been concluded and should help to stabilise markets.

"The problems of imports from other sources remain and the working party hopes that the Government will stand as firmly as possible behind the industry demands to contain and cut back imports in this sector."

However, the report adds: "If these problems can be overcome, the working party believes that the industry can increase its share of Western European markets, where it has a significant cost advantage, and attain its objective of eliminating the present deficit on the sector's balance of trade.

It says that its strategic thinking for the sector has been handicapped by the need to devote efforts to resisting the proposal by Hitachi to set up a new colour television factory in the North East.

"As a direct consequence the working party is not able to demonstrate the degree of progress in its strategy work which it had anticipated at the end of 1976."

It opposed Hitachi's plans because of the twin problems of fragmentation and over-capacity of the 11 manufacturers already in the U.K.

Employment

"The working party believed that not only is additional capacity unnecessary, but that the establishment of this plant in the U.K., by further adding to competitive pressures, could result in a heavy net loss of jobs (perhaps as high as 5,000) and also a substantial worsening of the sector's balance of trade."

The report shows that the industry's output was £418m. in 1976, roughly the same as in 1974 but slightly less than the figure for 1973.

Employment in the industry fell 30 per cent. from its peak of 70,000 in 1973 to 49,000 in 1976. The sector's deficit on the balance of trade fell from £219m. in 1973 to £131m. in 1976.

To improve penetration of West. European markets from about 2.2 per cent. in 1975 to a planned 4 per cent. by 1980, the industry would urgently need to slim down to a more competitive size.

The industry would also need to keep a brand product range including production of monochrome television and audio.

BANK OF ENGLAND'S NEW EVIDENCE TO WILSON COMMITTEE

Fringe lifeboat 'wholly successful'

BY MICHAEL BLANDEN

THE LIFEBOAT support operation for the fringe banks was undertaken in the compelling interests of maintaining confidence, domestic and international, in the banking system, the Bank of England said in new evidence to the Wilson committee on the financial institutions.

Setting out for the first time its own detailed analysis of the events leading up to the fringe bank crisis and the action taken to combat the pressures, the Bank concludes that the operations were wholly successful in achieving their main aim.

It recognised that there would be a cost. But the potential losses had been fully provided for by the banks which gave support. And, whatever the ultimate losses might prove to be, "they will be far less than those that would have been sustained by the support group and the economy at large had the support operations not been undertaken."

The Bank's evidence showed that at its peak, at the end of 1974, the support provided by the lifeboat group totalled £1.18bn., close to the £1.2bn. limit which the clearing banks were prepared to accept. Further support undertaken by the Bank on its own brought the maximum overall total of support to £1.28bn. in March, 1975.

The need for this additional help was short-lived, however, and the total began to fall back. By now, the Bank reported, outstanding support provided by the group had been reduced to almost half its peak level and the greater part of the remaining amount was accounted for by two institutions.

The Bank conceded that "it may well be several years before these situations, the various liquidations and the realisation by the Bank of assets acquired as a result of its own support operations are worked out."

It expressed its belief that the improved supervisory arrangements already made and the planned legislation "will go far to reduce the risks of major difficulties arising and will provide a satisfactory basis for dealing with any which do occur."

The weaknesses

In its paper, presented at the request of the committee's research panel and published to-day, the Bank said that even now the interaction of the factors which led up to the fringe bank crisis were difficult to unravel.

It identified two main elements in the situation. These were:

FIRST, certain weaknesses in th supervisory system for the banks and in the various recognitions which could be accorded to deposit-taking institutions.

SECOND, the development of the economy after about the middle of 1971, which brought together rapid monetary expansion, a relative ease of access to deposits by the secondary banks and a rapid growth of lending on property.

Examining the limits to its own supervisory function, the Bank described the long-established system of supervision which "rested on a well-understood distinction between deposit-taking institutions which were recognised as banks and those which were not."

Together with this form of recognition, there were two legal categories of banks: those authorised to deal in foreign exchange: and those allowed accounting privileges under the 1948 Companies Act.

This general system, the Bank commented, proved very effective. Depositors had no reason to doubt the safety of money placed with fully-recognised banks and the system allowed the establishment and advancement of deposit-taking institutions which had yet to gain recognition as banks.

Isolated examples of difficulties among such institutions in the 1950s and early 1960s, however, led to the 1963 Protection of Depositors Act and to the establishment of a list of institutions exempted from the provisions of the Act. In the 1967 Companies Act under section 127, a further list was created, agreed between the Board of Trade, the Treasury and the Bank.

The Bank said in its evidence that there were weaknesses in the Protection of Depositors Act. But "there would probably not have been any great danger of the public being unable to distinguish between banks and other deposit-taking institutions, had the statutory position then existing remained unchanged. For no domestic institution of any importance could in practice, readily and without challenge, hold itself out to be a bank, or be accepted as such, unless it was within the supervisory area administered by the Bank."

The position did change, however, with the introduction of section 123 of the 1967 Act, designed to overcome a problem in relation to exemptions from the Moneylenders Act. One major difficulty with this provision was that, like section 127, the criteria used in judging applications for a certificate were "based on the functional characteristics of a banking business rather than on judgmental tests of quality or repute."

The Bank concluded that "the possession of the certificate was proof that the company concerned was not subject to the Moneylenders Act, but in more general and unanticipated ways it allowed the impression to be created that the companies concerned were recognised by the responsible Government department as carrying on a banking business, without drawing attention to the fact that they were only so recognised for one narrow purpose."

The growth of the secondary banks, the Bank pointed out, was also encouraged by the general economic background. The tight credit controls in the late 1960s provided an opportunity for other institutions to expand in the lending business, to a point which by the end of the decade was appreciably affecting the effectiveness of the credit control technique.

One answer would have been to extend the scope of the Bank's influence by custom and practice and some moves were made in this way with the larger finance houses. But "efforts in this direction were resisted in a number of other cases," and the alternative approach was adopted in the 1971 competition and credit control policy of removing the restraints on the banks.

"The expectation was that, perhaps not immediately but in a short while, the fringe would contract to a level of comparative unimportance."

Part of the official strategy was to make finance readily available in order to encourage economic recovery. But, investment by industry was slow to pick up, in marked contrast with the property development business. With the necessary finance so readily to hand, "far too much of it was undertaken all at once." This was encouraged by the belief that property was the inflation hedge par excellence—"a belief which was adhered to in some quarters with blind assurance."

The banks, although they weakened later, had reservations about being too heavily involved in property, so the fringe was encouraged to extend its position, and this was greatly facilitated by the relative ease with which it was able to obtain deposits.

This arose out of the vigorous expansion of the money markets and a blurring of distinctions between banks and non-banks encouraged among other points by the ambiguities of section 123 recognition.

The fringe banks were vulnerable, the Bank added, because if it became difficult to renew their mainly short-term deposits, liquidity problems would arise rapidly. This first came to a head in London and County Securities.

The resignation of a leading banker from this group after only five months was enough to trigger a liquidity crisis there. But "it very soon became apparent that some more sophisticated depositors in the money markets were taking fright at their potential exposure to any such institution."

The Bank thus found itself confronted with the imminent collapse of several deposit-taking institutions and with "the clear danger of a rapidly escalating crisis of confidence." This could involve external confidence even in the major banks and "the problem was to avoid a widening circle of collapse through the contagion of fear."

As a result of their experiences with the Overend Gurney crash of 1866, the Baring crisis of 1890 and the prolonged international crisis of 1929-33, the Bank, and the world at large, "had come to regard the taking of prompt and decisive action to prevent a spreading loss of confidence as one of the essential roles of a central bank."

In the closing weeks of 1973, the Bank therefore felt it essential to mount a rescue operation for the fringe in order to avoid a threat to some recognised banks. The action taken was the establishment of the control committee of the English and Scottish clearing banks and the Bank, chaired by the deputy governor, which first met on December 28, 1973.

The committee set down simple criteria for providing support, including that the company concerned was likely to remain solvent if helped over its liquidity crisis. It was expected that the majority of the situations could be solved by re-cycling the lost deposits until confidence was re-established but it was common ground that no support would be given if the position already appeared unviable.

The Bank's share in the lifeboat was 10 per cent., and lending was, as a matter of principle, at commercial rates, typically 1½-2 per cent. over interbank rates. The system was fully established by the end of January 1974. But the crisis went through three major stages of development, the Bank stated.

FIRST, from November, 1973 to March, 1974, was regarded primarily as a recycling operation. A total of 21 institutions were considered to require support, or four-fifths of the total number eventually approved for support. Of these, 16 were section 123 companies and two were section 127 banks. By the end of March the amount advanced under the lifeboat was just under £400m.

SECOND phase: from March to December, 1974. It became apparent that the problem was more complicated. The collapse of property values and of the Stern group made it gradually apparent that the problem was becoming one of solvency rather than liquidity.

The Bank took on extra obligations and, after the first half of 1974, the amount of support began to rise sharply. First National Finance Corporation and United Dominions Trust came to rely heavily on support funds.

By August the total support committed approached £1.2bn., about 40 per cent. of the estimated aggregate capital and reserves of the clearing banks and they decided that they would go no further.

The Bank's decision to undertake risks on its own was conditioned partly by growing international worries, with the Herstatt collapse, the Israel-British Bank failure and the Lloyds Bank losses in Lugano. It was at this point that the Bank took on additional support. In the nine months from April to October, 1974, four more institutions required support, three of them authorised banks.

THIRD phase: from January 1975 onwards, there were further specific blows to confidence, in addition to the worries about the effects of growing oil surpluses on the international banking system.

Concern over the international implications involved provided the background to the Bank's taking on support operations outside the lifeboat. Two of these were particularly important: Slater Walker and Edward Bates.

Both of these were part of sizeable groups with sensitive external ramifications, the Bank told the Wilson committee. In these cases, the Bank has taken on responsibility as the owner of Slater Walker Limited and of a newly-formed realisation company to realise the remaining assets on the Bates group.

These two special situations are described in more detail in special appendices to the Bank's evidence.

THE LIFEBOAT

Companies receiving support: The control committee approved support of varying degrees for 26 companies, of which 18 were institutions with section 123 certificates and five were either authorised banks or section 127 banks. Of these 26 companies, 18 are still trading, either in their original form or after reconstruction or absorption into other companies. Of this group of 18 companies, only four are still relying on re-cycled funds through the committee's operation, of which two account for by far the major share. There were eight companies which, having been in receipt of support from the committee in one form or other, subsequently were placed in receivership or liquidation.

	Date of placing in receivership or liquidation
David Samuel Trust	May 1974
Guardian Property	June 1974
Cannon Street Acceptances	Sept. 1974
Triumph Investment	Nov. 1974
First Maryland	Jan. 1975
Burston Finance	Feb. 1975
London and County Securities*	Mar. 1975
Audley Holdings	May 1975

* Following a Dept. of Trade investigation.

TOTAL AMOUNT OF LIFEBOAT SUPPORT AT SHARED RISK* OUTSTANDING AT END QUARTERS

End-quarter	£m.
March 1974	390.2
June 1974	443.4
September 1974	994.3
December 1974	1,181.7
March 1975	1,173.4
June 1975	1,148.5
September 1975	949.9
December 1975	913.5
March 1976	876.1
June 1976	827.2
September 1976	774.5
December 1976	782.7
March 1977	752.1
June 1977	731.7
September 1977	713.8
December 1977	676.5
March 1978	656.5

* Excluding additional help provided by the Bank of England at its own sole risk.

Delta confident about new Gatwick flight

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

DELTA Air Lines of the U.S., which started daily non-stop flights between Atlanta (Georgia) and Gatwick on Monday, expects to earn profits on this new route in the next year.

Mr. David C. Garrett Jnr., president of the airline, said in London yesterday advance bookings were already running at more than 50 per cent. of capacity. Delta expected to be carrying full loads by mid-summer. About 50 per cent. of the bookings were businessmen. The rest were tourist and other leisure traffic.

The airline intends to place considerable emphasis on attracting more business traffic, in view of Atlanta's booming economy, which is closely involved with the oil industry, aerospace manufacturing, electronics and banking.

Mr. Garrett said Delta was studying the new types of jet airliner being offered by the big U.S. manufacturers—notably the Boeing 767 "big twin" and 777 tri-jet, the Lockheed Series 400 version of the TriStar, and the McDonnell Douglas DC-X-200.

Delta was not studying the European Airbus, either in its current B-2 and B-4 versions, or in the proposed 200-seat B-10 version. Its interest was primarily in U.S.-built aircraft, although its experience with the Rolls-Royce RB-211 engines in its fleet of Lockheed TriStars had been so good that it was studying the possibility of RB-211s in any new aircraft it bought.

Mr. Garrett said Delta would expect to decide on a new 200-seater aircraft late this year. It was also interested in the smaller 140-passenger Boeing 757 twin-engined jet, but a decision on this would probably not be made until next year.

Mr. Garrett said Delta was happy to use Gatwick Airport, rather than the congested Heathrow. Delta had found most of its passengers tended to stay in the U.K. for a few days before moving on elsewhere, and so its need for direct connections to other cities was comparatively small.

He was critical of current fares policies, both on the North Atlantic and in the U.S. "Some of them do not have any logic." Delta was obliged to offer 83 different fares throughout its network, with 18 different fares on the North Atlantic.

● World Airways of the U.S., a major charter operator, has asked the Civil Aeronautics Board for approval to run cheap, no-frills scheduled services between Amsterdam and six U.S. cities—Baltimore, Chicago, Detroit, Los Angeles, Newark (New Jersey) and Oakland (California). Fares would range from $150 single (to Baltimore) to $210 (to Los Angeles and Oakland).

● British Airways yesterday began flights on its new route to San Francisco, awarded to it under the recent Anglo-U.S. bilateral air talks. BA will fly daily non-stop services on the route, using Boeing 747 Jumbo jets.

Newall Group merged with Elliott

By Michael Cassell

THE NEWALL Machine Tool Group, which was acquired by B. Elliott in July last year for £2.4m., has been merged with Elliott's machine tool manufacturing division.

The newly integrated division will have a combined output of £25m. a year and now has orders worth £15m. on its books.

A statement from Elliott yesterday said that the intake of new orders in recent months had been "particularly encouraging" and £3m. had been allocated to the new division for further improvements and additions to its product resources.

Newall manufactures high precision grinding machines and jig borers, widely used in the automotive industries, and has established for itself a strong pattern of overseas sales.

The company's products are regarded as complementary to the Elliott range and the merger was designed to establish a more widely based machine tool and engineering group.

In December 1977, Elliott reported pre-tax profits for the half-year to September of £2.02m., including a post-acquisition contribution of £258,000 from the Newall Group.

The newly strengthened machine tool manufacturing division will be chaired by Mr. B. L. Bailey, who has resigned as managing director of Butler Machine Tool, another subsidiary company within the division. He will be succeeded by Mr. D. A. Rolinson while Mr. D. R. Price, chief executive of the main works of Newalls, Peterborough, will become managing director of Elliott Machine Tools.

Co-operative Insurance to raise motor rates

BY ERIC SHORT

THE CO-OPERATIVE Insurance Society, the third largest motor insurer in Britain with nearly 700,000 private motorists on its books, is raising its private motor insurance premiums from July 1 by an average of 8 per cent.

This news comes only a few days after the society announced a profit of £3.5m. on its motor account for 1977, following a profit of £1.6m. in 1976. As a co-operative, it has no shareholders to whom to pass the benefit, so it is introducing from July 1 the payment of a 5 per cent. bonus to motor policyholders who have been insured with the society for three consecutive years.

The bonus will take the form of a reduction in the next annual premium.

Thus, for the longer-serving policyholder, the premium increase from July 1 will be relatively small, especially compared with increases being made by other motor companies.

For example, the present typical premium for an experienced driver of a Marina or Escort living in a country area and qualifying for full no-claims discount is £51.30, which will be increased to £55.70 from July 1. But the bonus will bring down the new premium to £52.50—a net rise of £1.20.

The society last increased its motor rates on April 1, 1977 by 14 per cent. Thus it has managed to hold them steady for more than a year, the first time that it has been able to do this for 10 years.

MPs blamed over power supply

BY ROY HODSON

PARLIAMENT'S RECORD of attempts to reorganise the electricity supply industry was "an unhappy one," said Sir Francis Tombs, chairman of the Electricity Council, yesterday.

He recalled, at the Institute of Fuel's annual lunch in London, that the present organisation of the industry had followed a report in the 1950s, and that all further attempted reforms had failed.

Parliament's record "established beyond doubt its failure to shoulder the responsibility imposed by public ownership," said Sir Francis.

The recent Bill for reorganising the industry had been killed when the Liberal Parliamentary Party refused to support it.

See Page 12

Scotland can earn £500m. from tourists

SCOTLAND expects to earn £500m from tourism this year, Mr. Robin MacLellan, chairman of the Scottish Tourist Board, said yesterday.

"Tourism is of vital importance to the economy of Scotland. Overseas visitors are terribly important. Although only 8 per cent. of our visitors come from overseas, they spend 32 per cent. of the money.

"Domestic tourism is growing, but it is not growing as fast as tourism from overseas. There are fewer Scottish holidays being taken."

Mr. MacLellan, who was announcing details of a Historic Houses Festival from May 19 to June 11, warned that Scotland would need to fight for its extra visitors from overseas.

It was important to give value for money because a German for instance could have a holiday in Kenya for the same price as a week in Scotland.

A week in Scotland with full board in a first-class hotel and the use of a rented car would cost a German visitor £342. A week in Kenya, including the flight and full board in a de-luxe hotel, would cost £346.

Construction work rise unlikely to top 1973 peak

BY OUR BUILDING CORRESPONDENT

ALTHOUGH construction industry output is going up, work levels by the mid-1980s will still be 15-20 per cent. below the 1973 peak, according to stockbrokers J. and A. Scrimgeour.

In a report on prospects for the construction sector, Scrimgeour points to a modest revival in the industry's fortunes after one of the most prolonged recessions on record.

The report—which predicts that output in the mid-1980s may only be 10 per cent. up on last year's poor performance—says there is a temptation to assume that because work is rising again, demand could return to earlier levels.

But Scrimgeour says that the industry cannot expect to experience again "the demands faced during the early 1960s when it had to cope with big house and school building programmes, the formation of a national motorway network and, later, high investment programmes in the energy industries.

Scrimgeours expect the constant (1970) price value of total housing output to reach £1.27bn. by 1985, compared to £1.15bn. last year. Non-housing work is estimated to be valued at £2.14bn. by 1985 against £1.92bn. last year. At £3.41bn., total new work by 1985 will compare with a figure of £3.08bn. in 1977.

Taxable profits show 15% increase in April

TAXABLE profits of the 136 industrial companies which issued full reports during April showed an increase of 15.6 per cent. on the previous year.

This was much in line with the average increase recorded in reports received during the first three months of the year when the sequence of gains was 22.8, 15.6 and 12 per cent. respectively.

Profit rises of between 14 and 25 per cent. were recorded by United Biscuits, Bowater, Albright and Wilson and BTR. All four companies were among the half-dozen or so which had shown 50 per cent. plus gains the previous year.

In their company then were Ocean Transport, lagging this year with a short-fall of 9 per cent. on their comparable figure, and BSR, down a sad-looking 31 per cent.

Dividend costs overall jumped by a substantial 26.6 per cent., the biggest such rise since February of last year. Last month's average in this respect was pushed up by United Biscuits, BTR, Ladbroke and Hepworth Ceramic.

Change on First National Board

BY MARGARET REID

ONE CLEARING bank official seconded from his bank has just taken over from another on the Board of First Natonal Finance Corporation, which suffered heavily in the secondary banking crisis and is one of the two largest borrowers from the big banks' lifeboat.

Mr. Geoffrey Birch has left the First National Board after two years with the company to return to the Midland Bank. His place is being taken by Mr. Derek Rutter, formerly a director of Barclays Merchant Bank, who has been seconded from Barclays Bank for two years and has become an executive director of First National.

First National was built up by Mr. Pat Matthews, who left the Board two years ago. The chief executive is now Mr. Stuart Dyer who came from Lloyds Bank a year ago to succeed another senior clearing banker, Mr. Maurice Denton, of the National Westminser Bank. Mr. Denton was brought in by the big banks and the Bank of England in May 1975 for a two-year stint in the top management role.

First National made such large provisions — £140m. — and incurred such heavy losses in the course of the secondary banking crisis and its aftermath that it had a £76m. net deficiency at the end of its last financial year on October 31, 1977. Its support loans from the lifeboat committee are about £285m.

In the second half of 1976-77, however, it managed to make a pre-tax profit of £2.6m. although there was a loss of £4.9m. for the year. Mr. Dyer said yesterday that the rather better trend was continuing, adding: "We've been able to work reasonably well so far this year."

The seriousness of First National's problems was, however, underlined by Mr. John Glyn, the chairman, at the recent annual meeting when he said: "The company still has an extremely formidable task in building up sufficient profits to cover the £76m. deficit.

Stricter ethical rules urged for accountants

FINANCIAL TIMES REPORTER

STRICTER ETHICAL rules for accountants are urged by the Labour Economic Finance and Taxation Association in its response to the Institute of Chartered Accountants paper on professional independence.

The association says that probably the greatest weakness in the institute's proposals is the omission of any firm proposal dealing with the question of whether the auditor should be allowed to carry out other work for the client.

It says the auditor should not be allowed to carry out additional work for the client, and this should extend to taxation work, accounting work, management consultancy and any work for the directors and senior officials of the company in their personal capacity.

EUROPEAN OPTIONS EXCHANGE

Option	Price	July Close	July Vol.	Oct. Close	Oct. Vol.	Jan. Close	Jan. Vol.	Equity close
E. Kodak	$40	13⅞	3	14⅛	1	15½	—	$53⅛
E. Kodak	$45	9½	—	9⅝	29	11	—	..
E. Kodak	$50	5½	60	7	37	8	20	..
E. Kodak	$60	1¼	25	3	65	3⅞	39	..
GM	$50	15¼	—	15⅞	—	16¼	—	$64½
GM	$60	5½	—	6½	5	6¼	—	..
GM	$70	⅛	50	1⅛	—	1⅞	4	..
IBM	$240	28	—	29½	4	31¼	—	$266¼
IBM	$260	11¼	28	16	13	18	—	..
IBM	$280	4⅝	34	6⅝	8	9⅞	35	..
Algemene	F330	18	6	21	—	25	—	F341
Algemene	F340	15	10	11	1	18	15	..
Akzo	F70	7	2	9	—	11.50	—	F74.90
Amev	F75	5	2	5	—	7.50	—	..
Nat Ned	F100	10	—	11.50	—	17	—	F106.40
Nat Ned	F110	5	—	6.00	—	8	—	..
Philips	F22.50	3.20	—	3.70	..	4.20	10	F25.30
Philips	F25.00	1.20	—	1.80	10	2.50	40	..
Philips	F27.50	0.40	—	0.70	15	1.40	3	..
R. D. Shell	F120	9.70	13	9.50	7	10.00	10	F128.60
R. D. Shell	F130	2.00	9	3.70	19	3.90	24	..
R. D. Shell	F140	0.30	—	1.20	—	2.00	24	..
Unilever	F110	8.00	—	7.80	7	8.60	—	F116.30
Unilever	F120	1.20	5	2.30	4	3.00	—	..
Unilever	F130	0.50	—	0.70	—	1.90	2	..
		May		August		November		
BP	700p	—	—	—	—	—	—	800p
BP	750p	—	—	—	—	—	—	..
BP	800p	—	—	—	—	—	—	..
GEC	200p	—	—	—	—	—	—	244p
GEC	225p	—	—	—	—	—	—	..
GEC	250p	—	—	—	—	—	—	..
GEC	275p	—	—	—	—	—	—	..
ICI	300p	—	—	—	—	—	—	341p
ICI	325p	—	—	—	—	—	—	..
ICI	350p	—	—	—	—	—	—	..
ICI	375p	—	—	—	—	—	—	..

HOME CONTRACTS

Coal Board spends £25m. on belting

CONTRACTS WITH an estimated value of £25,523,000 have been let by the National Coal Board. Fire resistant conveyor belting, from this month to April 30, 1979, costing £24,419,000, will be supplied by: BTR Belting, Dunlop, Greengate Industrial Polymers, TBA Industrial Products, Scandura, and J. H. Fenner and Co. Rubber conveyor belting, for the same period to a value of £1,104,000 will be supplied by: Uniroyal, Goodyear Tyre and Rubber Co., Greengate Industrial Polymers, and BTR Belting.

*

NEWELL DUNFORD ENGINEERING has won orders worth more than £4.5m. for the Tollemache and Watford range of resource recovery equipment. One of the largest orders was from Merseyside County Council, to supply a complete turn-key refuse pulverisation plant. Newell Dunford will be the main contractors in this venture and be responsible for the design and direction of the buildings and civil works in addition to supplying all the mechanical equipment.

*

As part of its foundry modernisation programme, Platt Saco Lowell has awarded the industrial division of BRITISH BROWN-BOVERI a turnkey contract for the design, manufacture and installation of a melting shop at Bradley Fold Iron Foundry. Valued at over £1m., the contract covers melting and holding furnaces, charge handling equipment, and building work which will house the development. The plant is scheduled to be operational by May, 1979. Output will be 230 tonnes of grey iron a week.

*

A. ROBERTS AND COMPANY has recently been awarded three contracts. The largest, worth over £1m., is in Wembley—84 homes and ancillary work for the London Borough of Brent, due for completion early in 1980. Two other London contracts are worth a total of £464,000.

*

Booth Mechanical Services, the specialist building services division of the ALFRED BOOTH GROUP, this year has secured work totalling over £250,000. Largest contract is for Liverpool Corporation plumbing services valued at £103,000.

*

A £60,000 order for specialised sack filling equipment for PVC powder at BP Chemicals' plant in South Glamorgan has been won by WEBSTER GRIFFIN, Tunbridge Wells. The plant, which is at Barry, will not become fully operational until later this year.

*

TARMAC CONSTRUCTION has been awarded a £700,000 contract for more work on the North Loop line of the Tyneside Metro scheme. Engineers have started to facelift four stations on the Benton-Backworth line, build a new station at Shiremoor and carry out civil engineering work.

LABOUR NEWS

Westminster drive to save tin mine

BY PAUL CHEESERIGHT

THE LAST attempts to keep open the Wheal Jane tin mine in Cornwall take place at Westminster to-day. The mine is liable to start flooding in two days.

Mr. Alan Williams, Minister of State for Industry, will meet Mr. Peter Tress and a team from Consolidated Gold Fields, the owners of the mine, to explore the possibility of a financial arrangement which would allow it to continue working.

More than 400 miners from Wheal Jane will arrive at the Commons this afternoon to lobby MPs and Ministers.

Gold Fields announced the closure of Wheal Jane last week, after a decision by Cornwall Tin and Mining to stop operations at the Mount Wellington tin mine. The two mines face each other across the Carnon Valley, near Truro.

Both mines have been affected by large volumes of water seeping through the workings. If one stops pumping the other is liable to flood. The Mount Wellington pumps are due to stop on Friday.

Gold Fields, which has been losing money at Wheal Jane, where less tin has proved available than was expected, has been reluctant to bear the costs of installing expensive new pumps or paying for the Mount Wellington pumps to keep working.

Mr. David Mudd, Conservative M.P. for Falmouth and Camborne, suggested to the Department of Industry last week-end that the Government should take over the Mount Wellington pumps, paying for them by writing off the financial assistance of £1.8m. given to the mine.

When Mr. Williams meets the Gold Fields team he will have before him a memorandum from Mr. David Penhaligon, Liberal M.P. for Truro, arguing that £650,000 worth of aid should be granted to the company.

This would cover the capital cost of installing equipment to plug the areas where water seeps through and a new pumping machine. Mr. Penhaligon regards this as a cheap price for saving more than 400 jobs.

Gold Fields said it was prepared to discuss any proposal, but warned that time was short.

Reaction

Any deal worked out at the meeting to safeguard the mine's future in the short term is likely to embrace the offer of the miners to forego a 10 per cent. wage rise this year. The company might receive temporary employment subsidies.

The reaction of the miners to the closure has been a major factor in inducing Gold Fields to continue talking about keeping the mine open.

Mr. Harry Stevens, Transport and General Workers Union secretary at Falmouth, said yesterday that the situation was untenable. "We have unemployment figures here of 15 per cent. to 16 per cent. We put 1,000 people on to that and its a disaster."

● More disruption is likely to-day for English China Clay, whose Cornwall operations have been badly hit by a dispute over a pay claim.

Yesterday maintenance men at the company's main transport depot at Par, on the outskirts of St. Austell, joined drivers in a stoppage which started on Friday, bringing the total of men out to 285. The men said on Friday that more than 200 had been sacked and told to collect their money that afternoon.

The 110 dock workers at the ports of Fowey and Par, which are both controlled by the company, and nearly 700 of the 2,500 men employed in the production of china clay, were also out.

Yesterday the transport workers sent a six-point resolution to the management, including a demand that a driver who took a lorry through the picket line at the Par depot on Friday should be "removed."

The dispute has produced the worst disruption in the Cornish china clay industry since the lock-out in 1913.

Shell terminals pay talks go on

BY PHILIP BASSETT, LABOUR STAFF

TALKS to end a strike over pay by white-collar workers at Shell oil terminals will be resumed on Friday.

The inter-union talks were held in London yesterday as supplies of Shell oil and petrol in certain areas of the country worsened.

A meeting of the joint union national delegate council of the Association of Scientific, Technical and Managerial Staffs and the white-collar section of the transport workers' union, failed to find a formula to end the dispute.

Six hundred white-collar workers at 46 oil terminals throughout the country were called out on strike nearly two weeks go.

Shell offered a 14.5 per cent. package deal, with everyone receiving a 10 per cent. increase in basic pay within Government wage guidelines and at least 2 per cent. for productivity. The unions rejected the deal, claiming that Shell had been much more generous in pay offers to other groups of workers.

Shell and the two unions involved claimed conflicting responses to the strike call. Shell said that most of the terminals were working normally, but Mr. Peter Kennedy, the association's divisional officer in Manchester, said after the talks that 75 per cent. of staff was on strike.

Supplied of Shell oil and petrol in Greater Manchester, Hertfordshire and Cambridgeshire have been badly affected by the closure of Barton terminal, Manchester, and Buncefield terminal, Hemel Hempstead.

Greater effectiveness of the strike rests on the attitude of the tanker drivers. At Buncefield they have refused to cross picket lines, but the few complete closures of terminals has persuaded many other drivers around the country to work normally.

Talks bid to reduce hospital disputes

By Nick Garnett, Labour Staff

HEALTH UNIONS, the British Medical Association and officials of the Department of Health and Social Security are expected to meet next month for talks aimed at minimising the effects of industrial disputes on hospital patients.

A preliminary meeting last week, chaired by Mr. David Ennals, Social Services Secretary, discussed proposals for improving hospitals' dispute machinery.

A joint union-health department statement of intent on the health service planned for July, the 30th anniversary of the service, could include changes in grievance procedures designed to curtail the number of disputes.

A committee, for which Mr. Peter Jacques, a TUC official, is acting as secretary is studying ways of overhauling the procedures.

The talks follow a number of hospital disputes, including one at Dulwich hospital, London, which closed operating theatres, and after more than a year of pressure from the BMA.

The unions and the BMA are also looking at the possibility of setting up hospital-based committees to define groups of patients that would be exempted from the effects of any form of industrial action. These could include geriatric patients and those in intensive care.

Journalist 'tried to frighten paper'

MR. C. GORDON TETHER, the Financial Times journalist dismissed after a long dispute about the control by Mr. Fredy Fisher, the editor, over his daily column, hoped to frighten the newspaper by publicising the dispute outside, Mr. Thomas Morison, counsel for the Financial Times, alleged yesterday.

Mr. Morison was questioning Mr. Tether, who wrote the Lombard column in the Financial Times for 21 years on the 34th day of Mr. Tether's claim for unfair dismissal. The case, which started a year ago yesterday before an industrial tribunal, is believed to be the longest running in the tribunal's history.

Mr. Tether, 64, of Worplesdon, Surrey, seeks re-instatement and compensation. He was dismissed 19 months ago. Articles said to have been "banned" by Mr. Fisher were published during the dispute in The Spectator and the Evening Standard.

Mr. Morison asked Mr. Tether about a letter he wrote in January 1975 to Mr. Anthony Wedgwood Benn in which he said he was on a collision course with Mr. Fisher and that he was convinced that the outcome of the "battle" would depend very largely on how much interest was taken outside the Financial Times.

Directive

Mr. Tether replied that shortly before the end of 1974 Mr. Fisher sent a note to him saying that if he wrote any more articles outside his directive confining his column to certain subjects he would be in breach of contract.

He fully intended to write articles outside the directive so they were on a collision course in that sense. It did not follow that he was determined to provoke Mr. Fisher into dismissing him.

"If you are on a collision course with someone, eventually someone, hopefully, is going to avoid the collision. It was open to Mr. Fisher to do so.'

Mr. Morison said that he also made reference in the letter to Mr. Benn to the fact that by publicising the fight he would be putting his head on the block. He knew perfectly well he was bringing about the risk of dismissal.

Mr. Tether denied this and added that he was fighting to preserve his column and his job and had to run some risks. But the full purpose was to stay at the Financial Times.

Mr. Morison said: "You had determined you were going to make life as difficult as possible for the Financial Times and by publicising your position you hoped they would be too frightened to get rid of you."

Mr. Tether disagreed and said that publicising his position was an attempt at some kind of defence. The editor's directive had been "thrown" at him and he had gone to his union (the National Union of Journalists) to seek a solution

Later, Mr. Tether demurred when Mr. Morison pressed him to say whether it was his case that it was permissible for the editor to give him the directive if he had reasonable grounds for doing so.

Inference

Mr. William Wells, Q.C., tribunal chairman, intervened to warn Mr. Tether that if he did not answer it was likely that the tribunal would draw a very unfavourable inference. He was being asked quite simply what was in his mind when he "threw the gloves down" to the editor after his directive.

Mr. Tether said he would answer but under protest. The editor did not have the right to introduce his directive and did not have reasonable grounds. And those grounds had to be proved to be reasonable to the satisfaction of a proper authority. That was why he went to the NUJ disputes procedure.

Mr. Wells commented that the best he could make of that answer was that Mr. Tether was admitting by implication that if there were reasonable grounds Mr. Fisher had the right to issue his directive.

Mr. Morison asked Mr. Tether whether it was his case that he was employed as an independent journalist or whether he was employed as the writer of an independent column.

Mr. Tether said he was employed as an independent journalist writing the Lombard column. He made it clear he wanted to write an independent column and that had been accepted by the then editor.

Mr. Morison asked who was the arbiter of whether an editor was acting reasonably or not on the night of publication when deciding that an article should not be published.

Mr. Tether replied that his reasonableness must pass some other test. Otherwise he could be totally unreasonable all the time, perpetrating under the guise of reasonableness all kinds of unsatisfactory activities.

Mr. Morison asked Mr. Tether whether he knew of any other journalist in Fleet Street with the rights he was claiming he had, and would he name him.

Mr. Tether replied that he thought James Cameron certainly had those rights and there were other journalists who had terms of employment similar to his own.

The hearing was adjourned until to-day.

Union meets Thomson in newspapers dispute

BY PAULINE CLARK, LABOUR STAFF

PROPOSALS were drawn up last night in a bid to settle an official strike by more than 200 provincial journalists employed by Thomson Regional Newspapers. After talks between the National Union of Journalists and management the proposals, aimed at ending a dispute over productivity pay, are to be studied by the union.

The union delegation, led by Mr. Ken Ashton, general secretary, is believed to have raised the question of the dismissal at the week-end of 310 journalists in Cardiff, Middlesbrough and Reading.

An emergency committee of the union ordered a strike by Thomson journalists in Merthyr Tydfil and Newcastle from yesterday. But management claims that this should make little difference to the group's newspapers as the journalists had not been working during prolonged mandatory chapel meetings last week.

The dispute came to a head early last week when 77 Thomson journalists in Hemel Hempstead were dismissed for working to rule in the productivity payment dispute. The issue has caused trouble on other papers in the group where management has refused to meet local demands for payments said to be outside Government pay guidelines.

● The dispute over new technology, which stopped the Liverpool Daily Post and Liverpool Echo for a week was settled last night. A self-financing productivity deal has been agreed.

New pay pact 'will not work'

A NEW agreement with the Government on pay just would not work, the Institution of Professional Civil Servants said yesterday. The institution, which has 100,000 members in management and professional grades, added that any attempt to clamp down on public sector pay as an example to private industry would cause violent and bitter reaction throughout public service unions.

The Civil Service Commissioners disclosed last week that they were having difficulty in recruiting in the grades covered by the institution because of low salaries.

A leading article in the institution's magazine said yesterday that even the most conscientious union leaders were finding it difficult to persuade members of the need for pay restraint.

Moves towards renewed restraint were being made in a pre-election atmosphere.

Sunday opening campaign warning to shop workers

SHOP WORKERS were told yesterday that they face another concerted and organised campaign to have Sunday trading legalised.

The warning came from Mr. John Phillips, assistant general secretary of the Union of Shop, Distributive and Allied Workers, which has 440,000 members in the retail and distributive industries.

At the union's annual conference in Blackpool he forecast a campaign shortly for the opening of all shops on Sundays.

The Consumers' Association was dedicated to removing all restrictions on Sunday trading, the National Chamber of Trade was discussing the issue soon and the Tory Party wanted more freedom for traders, he said.

The Association of Metropolitan Authorities is also pressing for changes in the law to permit local authorities to allow certain types of shops to open.

Mr. Phillips said the pressures were likely to culminate in a sponsored Bill in the House of Commons, and he asked delegates to be ready to renew their fight against Sunday trading.

The real issue of seven-day trading was whether employees wanted "brass or leisure," he said.

A plea for the traditional week-end off to be protected so that people could maintain family life and go to church was made by Mr. Ronald Graham, of Leicester Area Co-op branch, whose resolution, deploring Sunday opening was carried unanimously.

The conference called for shops to be closed for Christmas this year on December 25, 26 and 27, and on New Year's day.

Bid to settle recognition dispute

The Central Arbitration Committee will meet in Newcastle-upon-Tyne to-day to settle a row over union recognition at the Commodore Business Machines factory in Eaglescliffe, Cleveland.

Early last year the Advisory Conciliation and Arbitration Service ruled that the electricians' union should represent the 200 workers at the factory, which makes electronic calculators. The American-owned company has refused to accept the ruling, and at one time threatened to leave Britain if it was forced to accept trades unions.

During the ACAS investigation CBM refused to let officials into the factory to survey the workforce.

The union has applied under Section 16 of the Employment Protection Act because CBM has failed to implement the ACAS ruling.

Workers may delay TV parts

ALMOST 2,000 workers, who are to lose their jobs when two television assembly plants close in the Bradford area, decided yesterday to hold back sets and parts unless Thorn Consumer Electronics offer better redundancy pay.

Representatives of the shopfloor workers, most of them women, estimated that about 40,000 sets could be withheld from the company, which will be asked to negotiate fresh redundancy terms.

The factories at Bradford and nearby Windhill are due to close in July. The action of the workers in withholding sets could jeopardise the company's offer of an ex-gratia payment for their co-operation in the running-down of the factories.

But Mr. Geoff Draper, shop stewards' convener, of the Amalgamated Union of Engineering Workers, said it was felt the terms were not satisfactory because workers could face months on the dole.

Three rows threaten Leyland

By Peter Cartwright

THREE OF Leyland Cars' most profitable models are threatened by separate disputes at Castle Bromwich, Birmingham, which supplies bodies and panels for the Mini, Rover and Jaguar ranges.

If attempts to have the disputes officially recognised by the Amalgamated Union of Engineering Workers are successful, pickets will be organised. If this happens, many of the 7,500 workers at Castle Bromwich could be laid off, and production disrupted at Longbridge (Mini), Solihull (Rover) and Coventry (Jaguar).

In the most sensitive dispute, 56 machine tool fitters went on strike on Friday over the appointment of a foreman from another department. They said he was not "suitably qualified."

A similar complaint is made by 16 plant maintenance workers over a new supervisor. They also struck on Friday.

The third dispute involves garage mechanics who have been out for a week over grading for work the company is said to be insisting must be carried out.

In all three disputes, negotiations have been to national level without a solution.

COLONEL B PRIVILEGES MOTION APPROVED

Limits on reporting could fetter MPs, says Powell

BY IVOR OWEN, PARLIAMENTARY STAFF

LIMITATIONS on the freedom of the Press in reporting proceedings in Parliament will have the effect of limiting the privilege of MPs to say what they like in the House of Commons, Mr. Enoch Powell, (UU Down S.) warned last night.

In a powerful speech which won support from both sides of the House, he attacked the action of the Director of Public Prosecutions in warning newspapers that they might be held to be in contempt of court if they reported that Colonel B the army intelligence officer involved in a secrets case—had been named in the chamber by four Labour MPs.

"I cannot imagine a more direct assault upon the essential privileges of this House," said Mr. Powell.

A motion to refer the naming of Colonel B andt he application of the sub judice rule of the House to the proceedings in question to the Privileges Committee of the Commons was approved without a division.

Mr. Powell said it had been the privilege of the House of Commons from time immemorial that MPs could say things in the chamber which would lay the speaker open to proceedings if he said them elsewhere.

Without this privilege, the House of Commons would clearly be incapable of discharging its role on behalf of the nation or on behalf of individual constituents.

While acknowledging that the oriin of Parliamentary privilege had been to protect MPs, Mr. Powell contended that in modern circumstances it was impossible to distinguish between the privilege of MPs speaking under privilege in the House and the right for what they said to be published.

A privilege which allowed MPs to say what they would in the House, but which did not extend to the publication of what they said outside would have little purpose in contemporary circumstances.

Mr. Powell argued that it must follow that immunity from proceedings for reports of anything said the House was an essential part of the privilege of the House of Commons which could not be infringed without infringing the privilege of the House of Commons itself.

Mr. Powell also asserted that nothing justified a distinction being made between Hansard, the official report which in its edition for April 20 published the name of Colonel B, as stated by the four Labour MPs, and other reports.

A threat of proceedings against the publication of what was said in the House was a "most high and manifest breach of the essential privilege of the House of Commons," which, if it were to become established, would gravely impair the value of the privilege of free speech enjoyed by MPs.

With respect to the Speaker, Mr. George Thomas, who subsequently ruled that the naming of Colonel B was a breach of the sub judice rule and should not have been permitted, Mr. Powell questioned whether such a breach had in fact occurred.

He could not see how for a Member of Parliament to make a statement which did not concern the merits whatsoever of the case in question could be a breach of the sub judice rule.

Mr. Powell roundly condemned a suggestion that the Speaker should be given authority to have remarks made by MPs and subsequently ruled out of order to be expunged from the record.

"I cannot think of anything that would be more dangerous to our approach to freedom of speech," he said.

Mr. Reginald Maudling (C., Chipping Barnet), who first suggested the erasure of disorderly statements, pointed out that whereas an accusation could be withdrawn, a disclosure such as that made in the case of Colonel B could not.

Mr. Powell replied that words said in the House under privilege should attract the same privilege when reported outside. "We cannot retrospectively unsay anything that has been said, contrary to the internal rules of the House."

Strong support for the views expressed by Mr. Powell came from Mr. Alex Lyon (Lab., York) who pointed out that it could have been said that the BBC or ITV, who broadcast the name of Colonel B, were in contempt of court.

Mr. Sam Silkin, Attorney General, had stated that he did not intend to proceed against them. But who could say that subsequent holders of his office would take a similar view in similar circumstances?

"It must be laid down that the courts cannot intervene," declared Mr. Lyon. He believed that the courts and Parliament were gradually moving towards a clash over where the line should be drawn in deciding who had responsibility for determining responsibility for the liberties of the people.

"I think it is absolutely right that the courts, within their proper sphere, should try to draw that line, but I think it is equally clear that within our own sphere, we should also know where to draw that line.

"I believe it is more important that we should know than the courts should know. We are, at any rate, accountable to the people because we are elected by them."

Mr. Michael Foot, Leader of the House, told MPs that a reference to the Committee of Privileges would be the fairest and most orderly way of dealing with all the issues involved in the Colonel B case.

This view was supported by Mr. Francis Pym, shadow Leader of the House.

Mr. Christopher Price (Lab., Lewisham W.), one of the four MPs who originally named Colonel B in the Commons, said that MPs quite deliberately did this outside the hours when the Commons was being broadcast live. This was to treat the radio stations in the same way as the newspapers.

Mr. Robert Kilroy-Silk (Lab., Ormskirk), another of those who had named Colonel B, agreed that if privilege was abused, it would be in danger, but added: "If it is anything at all, it is there to be used by MPs when they think fit."

He did not accept that he and his colleagues had abused their privilege. "We were perfectly entitled and property exercised our entitlement, to say what we said."

Miss Jo Richardson (Lab., Barking), third of the four MPs said she was "entirely unrepentant" for taking that action. "My action and that of my colleagues was not taken out of any irresponsible sense of mischief, which some newspapers have suggested.

"I wanted to try and expose the difficulties of journalists in reporting details of court cases which are of wide interest to the public, as well as this House of Commons," she said.

Miss Richardson said she felt deeply that something should be done to draw the attention of the House and public to the difficulty arising from the continued existence of the Official Secrets Acts.

Mr. Mark Carlisle (C. Runcorn) said he did not think it was ever intended that MPs should use "the cloak of privilege" to name people who, for whatever reason, had not been named in a court.

He thought it proper that the Committee of Privileges should decide whether MPs, by making use of privilege had, in fact, abused that privilege.

Mr. John Mendelson (Lab., Penistone), rejected any suggestion that the Committee of Privileges was being asked to consider an alleged offence by the four MPs or any other MP.

Defence chief's phrasing faulted by Callaghan

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE Prime Minister and Mr. Fred Mulley, Defence Secretary, yesterday administered a mild rebuke to Sir Neil Cameron, the Chief of Defence Staff, over the controversial remarks which he made in China over the week-end.

But they firmly rejected demands from Left wing MPs that Sir Neil should be sacked because of his suggestion, made to officers of the sixth Chinese tank division, that the Soviet Union was the common enemy of China and Britain.

At the same time, the Prime Minister left the House in no doubt that it would be better if the Defence Chief stuck strictly to military matters in the future.

Perhaps, he suggested caustically, some of the remarks made by Sir Neil "might have been phrased a little differently."

For his part, Mr. Mulley criticised the Defence Chief for using the word "enemy" in relation to the Soviet Union and thought that this had led to "precisely the misunderstanding we have seen."

They indicated, however, that they have every confidence in Sir Neil and that no action will be taken against him for what Mr. Callaghan called his "unscripted and impromptu remarks."

In long and heated exchanges in the Commons, both the Prime Minister and Mr. Mulley fielded questions with great skill and went a long way towards defusing a potentially explosive situation.

Mr. Callaghan side-stepped demands from Mrs. Margaret Thatcher, leader of the Opposition, that he should give his full endorsement to the words used by Sir Neil and "sort out the pro-Soviet group" among Labour Left wingers.

The Prime Minister stressed that Sir Neil was certainly not voicing the official policy of the British Government and that his remarks made no difference to Britain's attempts to seek detente and disarmament with Russia.

Mr. Callaghan told the House: "In so far as he was speaking on military matters, he would have the support of the Government. In so far as he was speaking of political matters, it is for him to support the policy of the Government."

The formulation of British foreign policy was the responsibility of Ministers and Sir Neil's remarks should not be seen as expanding, modifying or changing in any way the relations between Britain and China or between Britain and the Soviet Union.

Mr. Mulley, answering a private notice question, said that he was quite satisfied that Sir Neil had no intention of changing Government defence or foreign policy and it did not diminish his confidence in him as chief military adviser.

There were jeers from the Conservatives as one of the leading Left wingers Mr. Norman Atkinson (Tottenham) conjured up visions of Nato generals plotting to encircle Russia. In view of this, he urged Mr. Mulley to refuse to sell British arms to China.

On this point, however, he got little satisfaction from the Defence Secretary who told him that arms requests from Peking would be considered "in the light of our international obligations."

A tough line was taken by another Left winger Mr. Frank Allaun (Salford E), who called for the dismissal of the Defence Chief for this "provocative war talk."

The Defence Secretary neatly turned the tables on another member of the Left wing Tribune Group, Mr. Ian Mikardo (Bethnal Green and Bow) who observed that it invariably led to trouble when politicians fancied themselves as military strategists and generals fancied themselves as world statesmen.

Mr. Mulley agreed with this, but wistfully suggested that he would be more than happy if Left wing Labour MPs would observe the first part of the proposition.

Mr. Richard Crawshaw (Lab. Toxteth) thought that these embarrassing incidents could be avoided if visiting generals were advised to make speeches before the toasts rather than after them.

With some asperity, Mr. Mulley retorted: "I would like to make it absolutely clear from my own knowledge of Sir Neil that any suggestion that he was intoxicated could not be further from the truth!"

Growing concern on jobs —Prior

By Our Parliamentary Staff

SIX HUNDRED people have joined the dole queue every day that the present Labour Government has been in office, Mr. James Prior, Tory employment spokesman, told the Commons yesterday.

Mr. Prior said there was deep and growing concern in the nation over the "high and consistent" level of unemployment. The Government's optimism about tackling the problem had been totally unjustified and ineffective.

Mr. Albert Booth, Employment Secretary, said he could only imagine that Mr. Prior had not read the unemployment statistics over the last six months. "There is no steady level of unemployment. There has been a falling level," he declared.

Considerable redundancies in this country had been offset as a direct result of the Government's actions.

Mr. Booth said that in mid-April there were 1,387,484 people registered as unemployed in Britain. "While the seasonally-adjusted level has fallen for the seventh successive month, the prospects for a major improvement depend, in large, on international co-operation on economic growth," he added.

Mr. Harold Walker, Employment Minister of State, refused to confirm claims that the increase in earnings in the present pay round could eventually turn out to be about 14 per cent.

These, he said, were speculative forecasts. "People who have been using figures like 14 per cent. should be aware of the damage they might be doing to our economy and national interest."

Mr. Walker said the monthly index indicated that average earnings were about 10.4 per cent. higher in February this year than February last year. That compared with an increase of about 10.3 per cent. in the previous 12 months.

He stressed that the Department of Employment was vetting productivity deals under the present pay round to ensure they were not bogus.

"We are satisfied those which have been before my department and approved so far are genuine self-financing productivity deals," the Minister stated.

Tory victors

THE TWO Tory victors of last week's by-elections in Wycombe and Epsom, Mr. Ray Whitney and Mr. Archibald Hamilton, took their seats in the Commons yesterday.

Some of those questions that cannot be answered . . .

BY RUPERT CORNWELL, LOBBY STAFF

AN UPDATED picture—albeit highly incomplete—is now beginning to emerge of the topics, sensitive and otherwise, on which Ministers refuse to answer questions tabled by MPs in the House of Commons.

The information, the first of its kind since 1972, is in response to a demand by Mr. Jeff Rooker the Left-wing Labour MP for Perry Bar. But he had to enlist the support of Mr. George Thomas, the Speaker, before his iniative succeeded.

The fullest data comes from the Department of Trade, where Mr. Edmund Dell, the Secretary of State, has come up with a proscribed list ranging from obvious matters like air security measures and information given by companies in commercial confidence to transactions between the Film Finance Corporation and its customers and "day-to-day matters for the English Tourist Board."

The Treasury, which like other Departments, points out that some subjects may be turned down because of the sheer cost of the work needed to give an answer, claims that, in general, questions are answered on their merits.

But Mr. Robert Sheldon, the Financial Secretary to the Treasury, told Mr. Rooker that anything of immediate market impact—such as an impending change in interest rates—would remain off limits. So would questions on the tax affairs of individuals and companies, and details of firms which had suffered under pay sanctions but which did not wish their names to be published.

At the Department of Industry, topics barred include issues of commercial confidence and information on financial aid to companies, as well as secret details on research contracts. Much the same criteria are used by the Departments of Energy and Prices.

Judd backs Market applicants

By John Hunt

THE GOVERNMENT unequivocally supports enlargement of the EEC to a Community of 12 by the admission of Spain, Portugal and Greece, Mr. Frank Judd, Minister of State for Common Market affairs, told the Commons last night.

The political imperative was urgent and applied equally to all three countries, he said, in a debate on EEC enlargement.

The budgetary cost of enlargement was very much in the Government's mind. A tentative estimate was that Britain would have to pay between £90m. and £115m. more in budgetary contributions.

On the implications for industry, Mr. Judd said that the applicant countries were low-cost producers in acutely sensitive industries such as textiles, steel and shipbuilding. "Negotiations will be very difficult and special arrangements will be necessary for the transitional period to the mid-1980s and beyond," he declared.

Mr. Douglas Hurd, Opposition spokesman, said that no-one could guarantee that membership would secure forever the political stability of Greece, Spain and Portugal. "But if we deny them membership, that will be a cruel and perhaps mortal blow to their hopes," he declared.

More talks planned on Press charter

BY OUR PARLIAMENTARY STAFF

THE GOVERNMENT needs to have consultations with the TUC, the CBI and the Press Council before publishing a draft charter on Press freedom, Mr. Harold Walker, Employment Minister of State, told the Commons yesterday.

He was challenged over protection for journalists from the closed shop by Mr. Fred Silvester (C., Withington), who asked when the Government intended to introduce the charter.

Mr. Walker told him that the application of closed shop agreements to journalists was one of the matters which must be covered in the draft charter which the Government was required to prepare and submit to Parliament. But he could not yet say when it would be possible to lay a draft before the House.

Mr. Walker said the Government had wanted to wait until the Royal Commission on the Press reported. Since that report was published last June, he had conducted a long series of consultations with representatives of both sides of industry.

"I still need to have consultations with the TUC, CBI and Press Council before the consultations can be concluded and we can produce a draft."

Replying to Mr. Robin Corbett (Lab., Hemel Hempstead) Mr. Walker said one of the Government's difficulties was that the Newspaper Publishers Association had not been able to speak with one voice. He had to listen to a number of voices on this issue.

Mr. James Prior, Tory employment spokesman, called for an assurance that the draft charter would contain complete freedom of access for all people to the Press at all times, and that there would be an undertaking that a journalist could join or not join a union according to his choice. Unless the charter contained those undertakings, it would not gain a majority in the Commons.

Mr. Walker said that access would be one of the matters covered in the charter. Its inclusion was a requirement under the terms of the Trade Union and Labour Relations (Amendment) Act.

LOCAL ELECTIONS: LIVERPOOL

Size of Liberal vote is key to ending political stalemate

BY RHYS DAVID

LIVERPOOL should provide the ideal test-case for those who support the ending in Britain of the two-party see-saw. For several years, no party has had an overall majority on the council. With one-third of the seats at stake, to-morrow, Labour and Liberals at present hold 41 each and the Conservatives, 17.

It is a situation, however, which has failed to produce either a government of all talents, or even coalition behind the most broadly acceptable proposals.

At a time when Liverpool, because of its pressing problems of unemployment and factory closures, has never been more in need of positive government, the city council has found itself involved in prolonged debates, constant reversals of policy and unable to reach agreement on important issues.

The Liberals, who reached parity with Labour in by-elections at the end of last year, are bitter with the Tories for refusing to support their policies as part of a common front against Labour, which remains in control of the council. The Liberals, who were themselves, in power from 1974-76, have tried to seize powe ron five occasions but have failed to win Tory support. This shows, the Liberals claim, that the Tories are more interested in restoring simple two-party politics than resisting Labour policies.

The Conservatives readily admit that their policy is to allow the biggest party on the council to control committees, and unil the by-elections produced a tie, this happened to be Labour. On individual issues, the Conservatives claim their role has had to be that of a Solomon—giving support to proposals on their merit. In some cases, they claim, the Liberals are more extreme than the Labour Party and cannot be supported.

The Labour group has nevertheless had to endure the defeat of its recent budget proposals when Liberals and Conservatives did eventually combine behind a Liberal amendment restricting the proposed increase in rates to 6.5 per cent. instead of 14 per cent. New council house building has slumped to its lowest level for many years because of conflict between the parties over housing sales, and in education it has proved impossible to reach agreement on policy in the inner urban area.

The result is that the political parties in Liverpool are at least united on one point. They want the election to bring an end to the present stalemate. Whether it does so is likely to depend on what happens to the Liberal vote and on the importance attached by electors—roughly one-third of whom are likely to vote—to local as opposed to national issues.

The Liberals swept into their present strong position on the council in 1974 at a time of maximum disenchantment nationally with the Conservatives and, as a result, they are defending the largest number of seats—15, compared with 14 by Labour and four by the Tories. (Labour and Liberal are also each defending one other seat as a result of resignations by sitting members.)

The Tories, from their own private polls, believe national issues, such as the state of the economy and the Lib-Lab pact, are likely to loom as large as local issues. Their leader, Mr. Stan Airey, is expecting much of the vote lost in 1974 in middle-class areas to the Liberals to return on this occasion.

The Conservatives are basing their confidence, in part, on the hammering the Liberals have taken in the two most recent Parliamentary by-elections, but also on the trend apparent in county elections on Merseyside last year. In the same 33 wards now being fought, the Conservatives polled 64,000 votes, against 38,000 for Labour and 32,000 for the Liberals, enabling them to seize the upper tier council.

Voting in Liverpool has varied sufficiently from the national pattern, however, to make some caution over this analysis necessary. The grass-roots approach of the Liberals was pioneered in Liverpool, and the party has, in its leader, Mr. Trevor Jones, a powerful vote-gatherer, who has been willing to breach the time-honoured convention in local politics of not throwing too much mud.

Liberal propaganda makes much of council trips abroad, entertainment and other alleged frivolities. "We cleaned the chandeliers some years back and they are now raking that up in their literature," Stan Airey points out.

This forthright approach has clearly not done the Liberals too much harm in the past and the party is basing its hopes of regaining control on its showing in the past three council by-elections. It held on to one seat, reduced the Tory majority in another, and took one from Labour. Although its initial gains on the council were at the expense of the Tories, the Liberals have worried Labour with inroads into some hard-core Socialist areas near the city centre.

Despite this, the Labour leader on the council, Mr. John Hamilton, sees his party emerging from the election with roughly the same number of seats.

The Liberals have made an issue of law and order—a sign, according to Labour, that the party sees its main task as continuing to attract Tory voters.

Of the four other districts which make up Merseyside, both Sefton, the northern part of the county, which includes Southport, and Wirral, on the west bank of the Mersey, are held by the Conservatives and no change in control is expected.

Similarly, Labour can expect to retain control at Knowsley which includes the big Liverpool overspill housing area at Kirkby as well as the older suburbs of Huyton and Prescott.

The main prospect of change is at St Helens where Labour has 24 seats to the Conservatives' 20 and the Liberals 1. Conservatives are confident this area will be one of their gains.

● Mr. Alexander Tulloch, chairman of the Shetland Islands Council, is not retiring, as said in Saturday's feature on the regional elections in Scotland, but has been returned unopposed to the new council.

Proposal for election of council employees

BY DAVID CHURCHILL

THE GOVERNMENT is planning controversial legislative amendments to allow up to 3m. council employees to stand for election to their own councils.

Council employees are banned by law from election to councils which employ them although they can seek to join other councils if they fill the appropriate electoral qualifications.

The proposals to amend Section 80 of the 1972 Local Government Act have the full backing of the Labour Party and public service unions. But the local authority associations are bitterly opposed.

Mr. Peter Shore, Environment Secretary, has asked both sides to join a special working party to "undertake a direct and practical study of the problems and see if a mutually acceptable and workable solution can be found."

But the Conservative-dominated Association of County Councils last week rejected joining such a working party. Its executive council said that "there can be no question of employees serving as members of a county council or any of its committees in either a voting or non-voting capacity."

The Association of District Councils is also opposed to relaxing the rules governing employees' disqualification for election and the Association of Metropolitan Authorities is expected to follow suit if, as seems likely, the Conservatives gain control after to-morrow's local elections.

Last night, Mr. Fred Jarvis, general secretary of the National Union of Teachers, criticised the local authority associations for dragging their feet over the issue. He said that the unions would "continue trying to persuade the associations to be more reasonable."

Objections to relaxation of the rules centre on the possibility that the election of junior staff as councillors would create problems for management by placing employees in charge of their own superiors.

Another fear is conflict of interest if senior staff were elected to the council.

Teachers are in a special position. They can be co-opted on to the education committees of authorities which employ them. But they cannot otherwise be elected to serve on councils in the areas in which they work.

The Labour Party argues that "it is not in the public interest for nearly 3m. people to be debarred from council membership." It believes that all but the most senior officers should be allowed to stand for an employing council.

The Government will not be anxious to force changes on local authorities. At the same time, it faces severe pressure from the unions. For this reason, it is not likely to push ahead with amendments to the legislation before the next general election.

LEGAL NOTICES

No. 001276 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ROCHESTER SHOES LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 19th day of April 1978, presented to the said Court by ST. JOHN [illegible]

[illegible]

No. 001222 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CENTRAL MARKET BUYERS (COVENT GARDEN) LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 15th day of April, 1978 presented to the said Court by BALDWINS (a firm) Greengrocers of 40 [illegible]

[illegible]

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Improves sun heat absorption power

MAXORB is the name given to black solar foil, a new material developed to improve the efficiency of solar energy collectors. It is to be produced and marketed by MPD Technology—a new company formed by Inco Europe to promote and sell materials, processes and services resulting from research and development activity.

Maxorb was invented at Inco's European Research and Development Centre, Birmingham, following development at the centre of a continuous electrodeposition process to produce electroformed plain nickel foil. Using a proprietary technology, a heat-absorbent black surface is developed on the foil which gives a high degree of solar energy capture and low heat emission.

Coated with a pressure-sensitive adhesive, resistant to high temperature, the foil can be applied to flat-plate solar collectors with a minimum of effort and cost compared with other methods of surface preparation. Tests have shown it can improve the performance of collectors by up to 25 per cent., compared with those using a black paint surface.

The Inco decision to produce and market the black foil was influenced by forecasts that by the end of the century solar energy could account for around 5 per cent. of the western world's energy requirements.

MPD Technology will also be producing and selling electroformed plain nickel foil. The electroforming production technique enables the foil to be produced at greater widths and lower thicknesses than can be achieved by conventional metallurgical processes. The foil thus made has a very high degree of chemical purity combined with good mechanical properties.

It will be available in thicknesses from 4 microns to 200 microns, and initially, in 150 mm widths and in coils up to 800 metres in length. Additionally, it will be offered as a perforated product over the whole thickness range with different patterns, hole size, shape and densities to meet the requirements of individual customers. It is expected to be used in bursting discs, thermal shielding and various electronic and battery applications.

MPD Technology, Wiggin Street, Birmingham B16 0AJ. 021 454 0373.

Reduces the spray in jet cutting

A LOW COST self-sealing barrier material which will prevent splash-back during water jet cutting for up to 40 hours has been developed by SATRA (Shoe and Allied Trades Research Association) at Kettering.

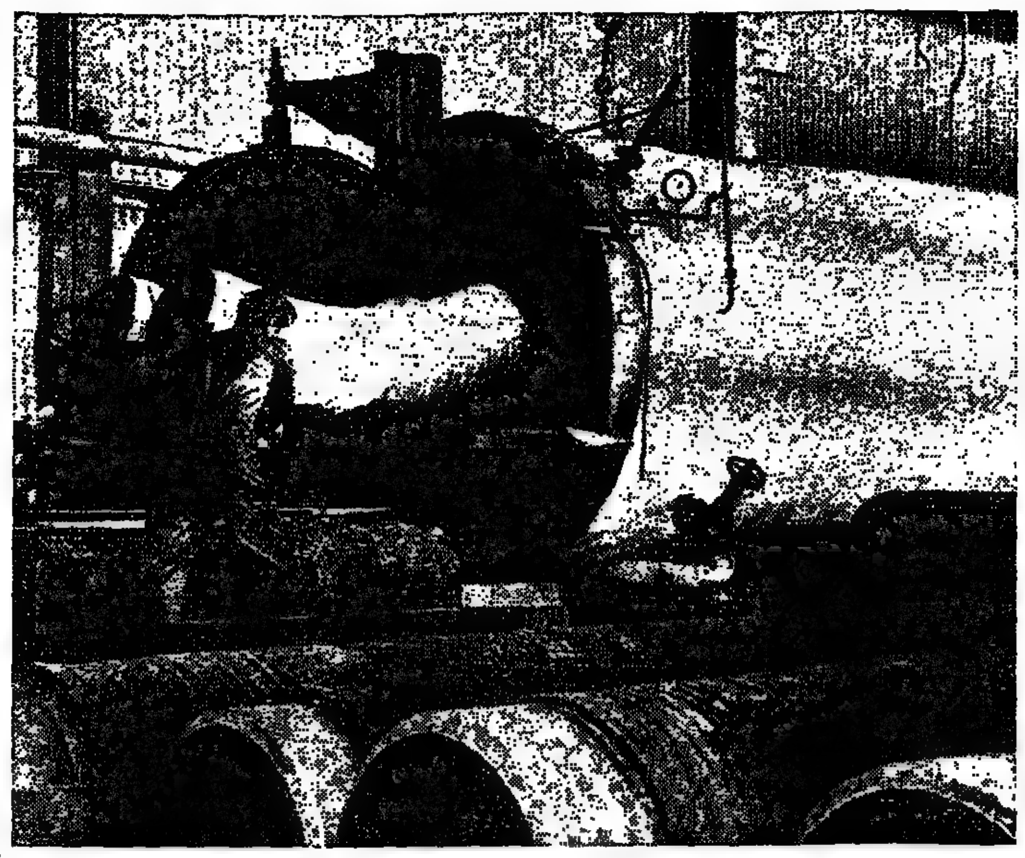
This development follows from the need to catch the liquid—used to cut materials—below the cutting table to take it to waste. This in itself presents no problem, but supporting the material to allow free passage from the jet to the catcher does. A wire grid is the simplest and cheapest way of supporting the material, but splash back occurs every time the jet crosses a wire, so wetting the underside of the material.

A sacrificial barrier material therefore becomes necessary and a low density sheet of bonded fibres is suitable. Unfortunately, it very quickly becomes ineffective because the small pieces that are separated from the sheet by criss cross cuttings fall through the grid.

The new self-sealing material developed by SATRA is based on a sheet of crepe milled to emphasise its usually unwanted characteristic of sticking to itself. The initial cost is about £7 per square metre and it can be remilled into usable sheet many times at £1.50 per square metre.

SATRA House, Rockingham Road, Kettering, Northants., NN16 9JH. 0536 516318.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*



Steel pipes, 18" in diameter, coated with a British Vita rubber compound and then enveloped in nylon tape, are here being rolled into a steam-heated autoclave for curing before being shipped to North Sea oil rigs. This process protects the pipes against corrosion. They will be used to save the waste of natural gas which is to be piped to the mainland instead of being burnt off at the top of the rig.

● PACKAGING

Keeps many loads in place

TWO FULLY automatic pallet strapping machines, believed to be the first of their kind available in the U.K., come from F. A. Power, Birmingham.

Designed to accommodate loads packed on most standard pallets, the new machines feature automatic strap feed, tensioning, a strap dispenser, heat sealing unit and a choice of either fully automatic or manual control. They can be used to secure loads as different as beer crates, building blocks, boxes of fruit and goods for export.

Compared with shrink-wrapping, an alternative method of securing loads on pallets, the cost of strapping is fractional, says the developer.

Crates designed for stacking are not necessarily stable over a certain height and stability can be increased dramatically if several stacks are strapped together horitontally. The Powerstarpex horizontal strapping machine can be programmed by the user to apply one or two straps at different pre-determined heights around the crates.

The vertical strapping machine applies straps through the void of the pallet (this way the strap is less prone to damage from forklifts) to secure the crates or cartons to the pallet. If necessary, the two machines can be used in tandem to secure pallet loads with vertical and horizontal straps.

Polypropylene strapping material used on the machines is Power's own product—Polyband. It is available in widths of 9mm. and 12mm.

More from F. A. Power (GKN Group), POB3, Castle Works, Cardiff CF1 1TP. 0222 33033.

Double deal for codes and labels

AN AMPOULE labelling version of an automatic self-adhesive labeller, has been developed to apply pressure-sensitive labels at speeds between 10 and 240 per minute, and was designed by Newman Labelling to accept containers from trays.

The machine is introduced with a second new product, the HFC 38/12, the first hot foil coder from a newly formed Newman associate, Allen Coding Machines, 37 Ox Lane, Harpenden, Herts. The latter, the first in an initial series of four models, is designed for batch and date coding in the pharmaceutical industry. It is said to handle a maximum tape width of 38mm, with maximum indexing length of 12 mm. and is capable of operating at speeds up to 200 prints per minute.

The HFC 38/12, was developed by Allen's managing director, in his spare time at home, while working as engineering manager for Newman which has given the former company full backing with the anticipation of future production benefits

More from Newman's at Queens Road, Barnett, Herts.

● MACHINE TOOLS

Safer for operators

LATEST code of practice to ensure safety in the use of machine tools applies to grinders and honers. Published by the Machine Tool Trades Association "Safeguarding Grinding and Honing Machines" describes methods of making such equipment as safe as reasonably practicable.

Basic principle is that unless a danger point or area is safe by virtue of its position, a safeguard should be provided.

The code, however recognises that this principle cannot always be applied to the entire work area of a machine-tool and that modification must be made to meet demands made by the nature and variety of the work.

The code costs £5 from MTTA Standards, 62 Bayswater Road, London W2 3PH. 01-402 6674.

In the meantime, the Machine Tool Industry Research Association, responding to growing interest among factory and plant managers, is to repeat a one-day course on technology to reduce noise from machine-tools.

This course is intended to help machine tool designers and development engineers to gain experience in the analysis of machine tool noise and the choice of appropriate remedial treatments.

More from MTIRA on this June 5 course at Hulley Road, Macclesfield. Macclesfield 25421.

Simplified positioning

MANUAL control of the position of, for example, machine tool cutting heads is simplified by Minipak system announced by Thorn Automation.

It consists of a rotary disc encoder and a digital display. The encoder may be activated directly from a rotating shaft to measure circular motion, or via rack and pinion, pulley or other arrangement to measure linear motion.

Signals from the encoder activate the six digit display, which is available for metric or imperial readings. System resolution is 0.1 mm or 0.01 inches.

Applications are expected on wood-working machines, guillotines, presses and cut-to-length applications. This relatively low cost system is sealed for normal industrial applications.

Optional extras include battery back-up, bi-directional reading, automatic reset and program control. The company says it is willing also to consider adapting the device to particular applications.

More from P.O. Box 4, Rugely, Staffs., WS15 1DR (Rugely 5151).

● FINISHING

Small components painted in bulk

ENAMELLING OF small components can be carried out efficiently and speedily, it is claimed, with the aid of a machine which consists essentially of a barrel rotated by an electric motor. Coating of the components is carried out by a gravity-fed spray gun.

Components loaded into the barrel are rotated, sprayed and stoved for a preset time cycle and two barrels and two spray guns are supplied with each machine to enable continuity of operation. Thus, a barrel may be emptied and one gun cleaned under pressure while enamelling occurs.

One operator can handle several machines which are free standing. The standard barrel has a capacity of 6-11 kg. and a smaller barrel 2-5 kg., but suitable sized purpose designed barrels are available.

Fumes are extracted by the plant and the operator does not have to wear a protective mask. The machines are being supplied by an Imperial Metal Industries subsidiary, IMI Precision Diecastings, PO Box 216, Witton, Birmingham B6 7BA.

● ENERGY

Battery has extended performance

NATIONAL Panasonic's new lithium battery, BR2325, is coin-shaped and roughly the same size as a 5p coin.

Estimated shelf life is five to ten years and its tiny measurements (2.3 cm. diameter, 2.5 mm. thick, 3.1 grams in weight) and long storage life will make it a boon for further miniaturisation in electronics products.

The BR2325's longevity means long usage as well as long storage. An LCD electronic calculator would run off one battery for between five and ten years—so that it could be regarded as a component, not a "consumable."

A general advantage of lithium batteries is that they have the highest energy density of all kinds of primary batteries. The BR2325 has a high nominal voltage—2.8V—almost twice that of silver oxide batteries (1.5V), more than double that of mercury batteries (1.3V).

Voltage is very stable during operation, and voltage decrease extremely small; it operates at temperatures down to —20 degree C. and it does not suffer from the gas and sulphur compounds leakage problems encountered in some lithium batteries. It is chemically and thermally stable, and generates no gas or corrosive materials during operation.

National Panasonic, 107 Whitby Road, Slough SL1 3DR. Slough 34522.

● AUTOMATION

Robot runs a machine

ONE RESULT of co-operation between Siemens and Fujitsu Fanuc is the design of two different industrial robots now coming on to the market. They represent a further step towards the automation of the machine tool sector, a development which is increasing productivity and freeing shop floor personnel from risk, monotony and harmful environments, particularly with respect to noise.

Sirobot 1 is designed to operate one numerically controlled machine tool, while Sirobot 2 can operate up to five machine tools. The logic centre for both consists of a microprocessor-based control system with teach-in programming. No paper tape is required.

The arm of Sirobot 1, which operates in four fundamental axes, can sweep through an angle of 270° at a rate of 60°/sec. The 500 mm up- and-down motion occurs at 500 mm/sec., and the 800 mm traversing motion at 1,000 mm/sec. The hand joint allows the hand to rotate through 90° at 60/sec. and the swing ± 3.5° out of centre.

One NC machine can be fed with workpieces, and the necessary tools can be loaded, unloaded and changed very quickly. D.C. motors provide the drive power. The hand is specially designed to grip turning and milling parts.

The arm of Sirobot 2 can sweep through an angle of 300° at 60°/sec. The 600 mm up-and-down motion and the 1100 mm traversing motion can both be carried out at 500 mm/sec.

The hand can rotate through 270° at 60°/sec. and swing through 270°. Five NC machines can be fed with workpieces, and the necessary tools can all be loaded, unloaded and changed at high speed. D.C. servo motors with a total three-phase connected load of 7 kVA provide the drive power.

Siemens AG, Postfach 103, D-8000 Munich 1, Federal Republic of Germany.

● SAFETY

Softer landing for pit cages

FOLLOWING THE Markham colliery accident of 1973, in which 18 coal miners crashed down a deep shaft to their deaths, numerous suggestions from both industry and the general public led to the National Coal Board's choice of an impact energy absorption system for providing a soft landing for pit cages at shaft bottom in the event of a malfunction.

The system is based on multiple layers of Du Pont neoprene synthetic rubber and of a specially woven polyester fibre which, says the company, have proved resistant to abrasion and exposure to coal dust, humidity, grease, oils and chemicals usually found in pit bottom confines. Recovery from deformation after impact and adherence to the strict NCB flame resistance specifications in collieries also determined the choice of the polychloroprene rubber from Du Pont.

Cable Belt has designed the system, known as pit bottom buffers, currently being installed in several collieries in the U.K., and its application is being studied for hoist or lift shafts and similar installations in industry, hospitals and the hotel trade.

More on 01-242 9044.

How to regenerate the electricity industry

Sir Francis Tombs, chairman of the Electricity Council.

Sir Francis Tombs pleads urgently for the reorganisation of his industry

LARGE organisations face the need for compromise between the centralisation necessary to permit strategic policy decisions and the decentralisation necessary to bring decisions close to the work-face, where job satisfaction and consumer satisfaction can be recognised and, hopefully, satisfied.

The larger the organisation, the greater the potential conflict between these issues. The electricity supply industry in England and Wales is very large: it employs some 160,000 people, serves almost 20m. consumers, had a turnover of about £4,500m. in 1977/8 and has net assets of almost £6,500m. Every house and every factory in the land is a customer and the contributions of electricity to the quality of life to-day and to the energy problems of the future are universally acknowledged.

One might expect, then, that the organisational structure and performance of the industry would be of more than passing interest to Parliament, whose creature it is. Alas, the record makes sad reading.

In 1948, when the industry was first nationalised, the organisation consisted of a national British Electricity Authority responsible for generation and transmission and with substantial powers of control over the Area Electricity Boards which were responsible for distribution.

In January 1956 the Herbert Committee recommended separation of generation and transmission under a Central Electricity Generating Board with retention of the Area Distribution Boards, but with the central authority retaining certain strategic powers over both the generating and distribution boards. These included:

(a) approval of general plans; (b) approval of capital and revenue budgets; (c) approval of depreciation policies; and (d) approval of retail and bulk supply tariffs.

So far, so good. The pendulum had swung a little towards decentralisation of management but the centre retained control of national issues and had a supervisory role.

The Government of the day knew better and accepted the decentralisation part of the package in full, whilst rejecting the need for an effective central body. So was born the Electricity Council, with virtually no powers over the 13 statutorily independent boards, each with its legally independent duties and responsibilities.

The Central Electricity Generating Board quickly emerged as the dominant member of this loosely federal industry since it controlled the bulk of the capital and revenue spending of the industry. By contrast the distribution boards, with 80 per cent. of electricity costs determined by the producer, were divided and impotent in respect of the major strategic issues facing the industry. The industry met together only in the Electricity Council, devoid of power and incapable of leadership. So was born the separation between production and marketing which has been the cause of much dissatisfaction both inside and outside the industry.

In 1970, a Bill was produced, following a departmental inquiry, which sought to give some strategic powers to an Electricity Authority in place of the Electricity Council. Unfortunately this timid measure fell under pressure of Parliamentary time prior to the 1970 general election, and was not revived by the incoming Government.

In December, 1974 the Plowden Committee was appointed "to examine the structure of the electricity supply industry in England and Wales and to report to the Secretary of State for Energy." It did so in January, 1976 and recommended that a Central Electricity Board should take over the functions of the Electricity Council, the CEGB and the Area Boards. The centralist dangers of this approach were explicitly recognised by a recommendation that the new CEB should be under a statutory duty to devolve maximum authority to operating units.

The report was highly critical of the organisation set up under the 1957 Act and Paragraph 4.5 gives a powerful critique of those arrangements:

"Wholly exceptional leadership might help to reconcile divergent views and encourage the sacrifice of individual interests for the sake of the whole industry. The Electricity Council, however, is not well equipped to give a strong lead. It is dominated by 15 members who act in effect as representatives of their Boards and who have a collective interest in maintaining the principle of the Board autonomy. The chairman and "central members," who are not committed to any Board, have no powers separate from those of the council as a whole; they can mediate or persuade but they cannot direct. It says much for all those involved that, in these circumstances, the industry achieves as much unity as it does. We understand, however, that the Council can only reach agreement slowly and at the price of great effort. The result is a tendency for the industry to react to events rather than to take the initiative."

Almost two years later, after a leisurely examination of the issues raised by Plowden, the Government included a statement of their intention to reorganise the electricity supply industry in the Queen's Speech in November 1977.

Some of Plowden's main recommendations were incorporated. These included unification of the fragmented industry, provision for the industry's organisation to evolve to meet changing requirements without the need for major legislation, and maximum devolution of managerial action.

An important part of the Bill was its provision for the organisational structure to be specified by an Order laid before Parliament by the Secretary of State following receipt of a report from the industry. The first such order specified central powers remarkably similar to those recommended by the Herbert Committee in 1956—22 years earlier.

One might have expected that these proposals based generally on the report of the Plowden Committee, seeking to reconcile central determination of strategy with maximum devolution of executive management, and receiving widespread support within the industry, would command support across party boundaries as the overdue solution to a long-standing problem in a major nationalised industry.

Unhappily, the Government did not have a majority in the House of Commons and so found itself dependent, on this as on other issues, on the Liberal Party.

The Liberals declared, in contradiction of earlier indications, that they would not support the Bill. Their reasons have been given as concern about excessive centralisation and the provision of manufacturing powers. The first of these cannot survive a careful reading of the draft Bill and draft Order now published as a White Paper (Cmnd. 7134). The second, manufacturing powers, is a "political" provision bearing no relationship to the needs of the industry and could surely have been reconsidered during the passage of the Bill through Parliament.

Whatever the real reasons for the absence of Liberal support, it led to a Government decision to withdraw that part of the Bill which dealt with reorganisation.

So, once again, Parliament has proved unable to meet its responsibility in relation to this major public industry and has left it shackled by the rigid and ineffective framework of the 1957 Act.

The Electricity Council, consisting of four central members, the twelve Area Board chairmen and the chairman and two members of the CEGB, unanimously agree that the statutory barriers to a co-ordinated industry which exist as a result of the 1957 Act should be removed. The members will try to develop methods of operation on a co-ordinated basis by voluntary means, but the existence of 13 statutory boards with separate legal responsibilities will necessarily limit the progress that can be made.

Publication of the draft Bill and Order as a White Paper has enabled the Select Committee on Nationalised Industries to examine it in detail and to seek views from interested parties. I earnestly hope that this process will lead to a recognition by all Parliamentary parties that great industries cannot operate efficiently in shackles and that too much management effort has to be directed to overcoming artificial barriers.

As representatives of the public, the owners of nationalised industries, MPs have a major responsibility which needs to be recognised and discharged. A failure to do this, either because of an unwillingness to devote the necessary time or as a result of opportunistic motives, will be grossly unfair to a hard-working and dedicated management and workforce and will fail to realise the potential national contribution of a major industry.

The end of an era for Italy's drug pirates

BUSINESS LAW

MARCH 30 this year is likely to become a red-letter date for the research-based pharmaceutical industry. Until then it was impossible to obtain patents for pharmaceutical processes and products in Italy.

This made Italy the haven of companies producing imitations of successful medicines developed by others, without having to maintain a costly research establishment of their own.

This was by no means just a domestic Italian problem. Many of the imitation drugs—sometimes bearing even the trade mark or name of the research-based pharmaceutical company who developed and manufactured the original—were exported from Italy at cut prices.

Nor was this a problem confined only to medicines for humans. An important role was played by vitamins and antibiotics used in animal husbandry, mainly as additives to pre-mixed fodder.

This situation was of great concern to the Swiss pharmaceutical companies, on whose doorsteps this free-for-all was taking place, and also to the other large research-based pharmaceutical industries, in Britain, Germany, France and the U.S. The fear of the research based pharmaceutical companies—that a relaxation of trade mark protection would enable EEC importers to sell the Italian imitations as their products—has been the background of many trade mark cases before the European Court.

Rescued

This applies in particular to the Centrafarm/Roche case, which is about to be decided by the European Court. It concerns the question of whether an importer not authorised by the manufacturer, and operating in parallel with the authorised distributor may, under EEC law, repack the branded product—in this case Valium—and sell it under the original trade mark.

For a long time now the Italian Government has been under international pressure to introduce legislation to make pharmaceutical products and processes patentable. However, this pressure was strongly opposed by the Italian producers of imitation drugs. As a result the Italian Government found it very difficult to obtain from Parliament a ratification of the European Patent Convention, which does require that pharmaceutical products and processes should be eligible for patent protection.

The Government has now been rescued from this difficult situation by the Constitutional Court. For many years it had received complaints that Article 14 of the Italian Patent Act, which prohibits the issue of patents for pharmaceutical processes and products, was unconstitutional, according to Italian law. The Court hesitated to touch this subject for a very long time.

By the end of last year, however, well-informed observers were reporting that the judges had already made up their minds effectively to overturn the article. The judgment was finally handed down in March to take effect on March 30.

As from that date, the famous Article 14 no longer applies. The Italian Patent Office can and will issue patents for pharmaceuticals. But what about old applications and the vested interests of those who produce in Italy drugs invented by others? This conflict of interest is likely to be translated into a number of insoluble legal problems, and the ensuing confusion will have to be tidied up by legislation.

The new situation created by the decision of the Constitutional Court is relatively clear and uncomplicated only in respect of new patent applications for pharmaceutical products or processes which have not been exploited by others in the past. As far as examination and grant of patent are concerned, new applications concerning pharmaceuticals will be handled just like other patent applications.

It is probable though, that special rules will be enacted allowing licences to be granted when this is deemed necessary to the public interest.

The same legislation will probably extend—from the normal three years to five—the period after which compulsory licences may be granted if the patent is not worked in Italy by the patentee.

Far more complex is the situation of pharmaceutical products and processes for which a patent application had been made in the past. If not rejected and still pending—and provided that the conditions for granting of a patent exist—such application should now be accepted by the Patent Office, but patent protection can be claimed only from the date when the decision of the Constitutional Court was published, namely March 30.

Patents granted in the past "by error" when it was not recognised that the products had a pharmaceutical application will be revalidated as pharmaceutical patents with effect from March 30.

Then there is the rather complicated case of inventors who did not file a patent application because they considered it pointless, and were later overtaken by other inventors who did apply for a patent, hoping that Article 14 of the Patent Act would be declared unconstitutional—as indeed it was. If the first inventor made his invention known then, of course, the second cannot obtain a patent because the product or process was not novel at the time he applied.

Controversial

But what about cases involving first inventors who started manufacturing the product without publicising the invention? The Constitutional Court suggests that in such a case the first inventor should be allowed by special legislation to continue to exploit his invention.

The real clash of interest will not so much be between inventors, as between foreign research-based companies—who will now obtain Italian patents for their drugs—and the Italian companies who have been imitating their drugs for a considerable time, having made substantial investments for this purpose. These investments were made on the assumption that the Patent Act was valid law in its entirety.

In the view of the Constitutional Court, legislative measures should be adopted to protect the economic interests of companies which relied on the continued absence of patent protection for pharmaceutical products and processes in Italy. The transitional legislative measures, which are now being considered by the Italian Government, will no doubt become the subject of international controversy.

A. H. Hermann

LOMBARD

Industry aid—German style

BY ADRIAN DICKS

OUTSIDERS often detect a certain economic hypochondria in West Germany, which suggests for example that the direct consequences will follow marginal movements of the exchange rate, or that a fraction of a percentage point more or less on the wage bill can provoke excruciatingly painful inflationary pressures.

There is another set of symptoms, however, that Bonn's friends and partners might be less envious of, if they knew more about them. And oddly, they represent a complaint that has been getting surprisingly limited attention inside West Germany until very recently — the extent of the subsidies which the West German Government is now finding itself obliged to pay out to loss-making industries.

Rare attempt

As in many countries, it is not easy to pinpoint the full economic weight that subsidies account for. A rare attempt to do so was made last week, however, by Count Otto Lambsdorff, the Economics Minister, when he presented the Cabinet's decision to fund for four years a programme worth DM.582m. a year for long-term investment by the coal industry. The programme, as the Minister explained, was necessary in great part to safeguard jobs, and would do so by providing the industry with funds to undertake big investments in the costly new technologies of coal gasification and refinement as a chemical feedstock source.

Hard-pressed for years by declining sales to the electricity utilities and to the steel industry, the coal industry has seen its chances of raising the necessary long-term investment finance on its own crippled by its short-term cash difficulties. Unsold stocks at the pithead now stand at a massive 33m. tonnes, or about 37 per cent. of last year's production of 89m. tonnes.

In the past couple of years, the Government has agreed to finance some of the cost of unsold stocks, as part of a national strategic energy reserve. It has given the industry tax concessions, has limited imports of cheap U.S. coal (in which the biggest German company, Ruhr-Kohle, itself has a stake), has introduced an energy plan to give coal priority in new power stations, and has sought to tax heating oil more heavily.

The bill for all this is expected to be well above the DM4bn. mark this year, to which must be added an estimated DM550m. more in aid for coking. Count Lambsdorff told the Bundestag bluntly: "I have the impression, ladies and gentlemen, that with this aid to the mining industry, we are pushing up against the limits of what can be expected from the budget and from the economy as a whole."

Few governments could do otherwise, given the coal industry's extremely difficult short-term position and given the fact that hard coal is the country's only major domestic energy resource. Yet the question of how much even West Germany can afford to pay out in subsidies to hardship industries is beginning to be asked more often.

At the head of anyone's list is the Bundesbahn, or federal railways, whose need for Government funds this year is expected to be around DM13bn. The non-party Taxpayers' Federation, which carried out an anguished study of the railways' financial situation last summer, came up with the calculation that the current deficit is equal to over 6 per cent. of the current federal budget, or DM400 per taxpayer, while the accumulated debt would on current trends reach DM70bn. by 1985.

Not counting the Bundesbahn subsidy or the tax concessions worth some DM5bn. aimed at West Berlin, total subsidy spending and tax concessions under the 1967 economic growth and stability act amounted in 1977 to DM13.2bn. The 1978 projections by the Government show a rise of about DM1bn. more.

Want more

Some of the Government's clients are already back and asking for more — albeit with the best of reasons. The shipbuilding industry has warned that the existing aid may not be enough to keep it in business, while the shipowners, squeezed between rising D-Mark outlays and fast shrinking dollar receipts, want a Government exchange rate guarantee. The aircraft industry, whose unsuccessful attempt to sell the all-German VFW 614 cost the taxpayer about DM700m., will also no doubt be back with a request for seed money for the next round of joint European civil airliner projects.

At a period when both Britain and France, the two traditional dirigiste governments in German eyes, seem to be trying to contain the subsidy bill, is Bonn actually moving in a contrary direction? Or does Count Lambsdorff's unconcealed reluctance to sign the whopping cheques suggest that a new era of actually putting the market economy into practice may be dawning in Germany, too?

The maddening delights of gentian

GARDENS TO-DAY

BY ROBIN LANE FOX

QUITE THE BEST thing in my garden at the moment is a plant which I had forgotten about. Gentians, I grant, are not easily forgotten. There is no blue so intense—unless you grow Corydalyis Casmiriana, which, I bet, you do not. There is no flower, which is quite so satisfying to have captured and brought to its best in a garden. Gentians are the flowers of Alpine meadows, Chinese marshes, Oriental woodlands. They are quite remarkably varied: there is even a tall straw-yellow one called Lutea, which likes open meadows and which I recommend, not least for its bold leaves. In the 3 to 6 inch class, there is nothing to compare with sky-blue Farreri, striped with olive-green and dark navy, or with plain Acaulis, whose wide trumpet-flowers are a gloriously deep blue. How, then, could I have forgotten one?

Obstinacy

Plain old Acaulis has annoyed me for longer, even, than I have been writing this column. Every year, I think I will defeat its obstinacy by some new trick. It will grow, throw out more of its palish green rosettes of leaves, but it refuses to show any buds at all in the months when it is all over any self-respecting European's calendar. I have been told to stamp on it, walk on it in rubber shoes throughout the season, feed it on fresh pig manure, stoically collected, water it with warm water, douse it with salt water, allow it to struggle among leaves, place it at the highest point in the garden, leave it to be sodden in the lowest, cover it with a glass pane, plant in on a mole-hill and, of course, to buy only from reputable nurseries, such as yours truly's, which happens to have an expensive stock of it available. I now find the answer, for I have at least one bud on one three-year-old plant; buy it, and never look at it, until it has set a flower.

Here and there, in almost every bed, I have a Gentian from the past. Now, in a pot which I have quite forgotten for two years, one is showing a long, pointed ink-blue flower bud. It must, in a week, become a trumpet. When it does, it will be worth the ten false starts, the pig manure, the cow manure, the bucket of chicken-droppings, and the treading which led nowhere. There never was quite such a blue. Nobody can photograph it truly, nor paint it. Europeans take it for granted, and sometimes claim to prefer that dull, flannely old Edelweiss. One Acaulis does not make a spring garden, but I feel that, by accident, I have won the battle at last.

Why bother you with it? Because, maddeningly, it will often grow freely. There are garages, I am told, which have edged their pumps with it, and a railway station, even, which had two borders of it in flower throughout April. You must try it, at least once. Perhaps, as so many experts claim, it does prefer a heavy soil, with or without lime. Perhaps it likes to be in country air, not in a town. But there are no rules, except that it would be foolish not to try, say, three, one in a low wet place, one in a high sunny place, and one, like mine, where you can forget it. If all three flower, I would be glad to hear of it.

If Acaulis is too stubborn for you, there are other choices, just as attractive and never too easy or common to be taken for granted. The smaller Star Gentian, called Verna, troubled our grandfathers, if their gardening correspondents are a guide to their real gardens. They piped water to its roots, sheltered it, never dreamed of kicking it or crowding it. They used to keep a diary in red of its dates and flowers. I do not find it difficult. It likes lime, and rich, open soil, and reasonable drainage. The starry flowers are an intense blue, unforgettable if you mass them in a stone sink, low trough, or similarly raised container. In their second year, they may flower so freely that they die back. Be warned, and pick off a few buds, if your plants seem to be too generous. This saves their lives. The seed should be left on a saucer in the fridge overnight, then sown at once. It will usually germinate freely. If I could have only one alpine plant, I think it would have to be Verna. Now is a good moment to buy one in a pot from a specialist alpine nursery. Ingwersens of East Grinstead, Sussex, or Elliot's of Broadwell, Gloucestershire.

For those on lime-free soil, who can grow Azaleas, there is an even better buy. The Chinese Gentians, mostly, flower in autumn, when their more upright trumpets are a lovely drift of deep blue, and easy planting which, however, is often missed by those with the right soil for it. There is still just time to buy the most vigorous, called Sino-Ornata, in the unusual shape of a thong. A thong is a small division, usually with two roots, like the prongs on a tooth. Planted in spring in damp, acid soil, these thongs will send up a tuft of grassy leaves, and may even flower this autumn. They are easy, as long as they have no lime, and their colour is as good as any. At a height of six inches maximum, the flowers are an excellent mark on an edge. Ordinary plants can be bought, too, but 50 thongs, say, are better value. They multiply quickly and soon give you the most exquisite carpet. Ingwersens used to list them as a special offer, and Scottish nurseries, well-suited to their soil, will sell them in bulk. Jack Drake, at Inshriach, Aviemore, lists various hybrids and will no doubt book you for thongs, if you ask for them.

Germination

No doubt, you fortunate growers of Azaleas will have sheets of this trumpet-flower in the autumn: when asked by a Gentian freak, like myself, from the Midlands, whether he could grow a Chinese Gentian, a famous West Country gardener is said to have replied that he did not believe he had more than half a mile of it. Perhaps, too, you will have Acaulis in flower among the lettuces and think me far from greenfingered. But in a month or so, I can look forward, nonetheless, to trying out the tip which I have carried with me for seven years: in order to germinate seed from Acaulis's flowers, you should soak it for 24 hours in a saucer of water, then sow it at once. Perhaps the children of my one flower will be more obliging. Or perhaps that is only the next stage: tip after tip, useless as always, on how to persuade the wretched thing's seeds to come up.

Persepolis looks best

RACING

BY DOMINIC WIGAN

PETER WALWYN—who with Seraphima, Camden Town, Formidable, Be Sweet and Leonardo da Vinci, has either the first or second favourite in all five classics—has a bright chance of lifting to-day's feature event at Brighton, the Brighton Festival Handicap, with Persepolis.

This ultra-consistent Northfields colt, whose career figures read 2, 2, 2, 1, 3, 2, 1, almost certainly put up his best performance to date when running away with a competitive event at Epsom a week ago.

Although he has been penalised 7 lbs for that success, Lord Howard de Walden's colt won in such impressive fashion that I feel reasonably confident that he can again defy the handicapper.

Commander Bond, who won by three lengths from Dubois in a maiden event at Nottingham last September and was a two-length second behind Good Tune, to whom he was trying to concede 5 lbs in Doncaster's spring handicap last time out, looks like providing the chief threat to the Lambourn three-year-old.

Another in-form trainer, Paul Cole, seems likely to add to his already impressive tally on this hilltop course through Noble Heir in the 1¼-mile Ovingdean Handicap.

The winner of his only two races in the present campaign, this bay son of Duke of Ragusa, should prove too smart for Alfsboy, to whom he will be conceding only 4 lb.

Whatever their fate with Commander Bond, Captain Ryan Price and stable jockey Brian Taylor should have at least one winner on this, their local Flat track. Moving Picture, the all-the-way winner of Town Moor's Hall Gate handicap, appears weighted to win the Hurstpierpoint Handicap with 8 st 13 lb.

There is an evening jumping fixture at Cheltenham, where the most interesting events on a card confined to hunter chases seem to be the Mercedes Benz United Hunts' Challenge Cup and the Golden Harvest Hunter's Chase.

Mountolive, a fast-moving eight-year-old, whose three successive victories include a four-length course and distance success over Ten Up in the Charles Turner Challenge Cup at the transferred Gold Cup meeting, looks to be the evening's best bet in the Mercedes Benz, which he tackles in preference to the Golden Harvest race.

BRIGHTON

2.00—Kafue Park
2.30—Foul Fella
3.00—Persepolis***
3.30—Noble Heir
4.00—Moving Picture*
4.30—Northern Dynasty

CHELTENHAM

6.00—Mountolive**
6.35—Lady Annapurna
7.10—Crystal Gazer

Fight to safeguard common land

A CAMPAIGN to save the 500,000 acres of common land in England and Wales was launched yesterday by the Commons, Open Spaces and Footpaths Preservation Society.

The aim is to safeguard commons against development, to ensure a right of public access, and secure management agreements for commons.

Mr. Carol Johnson, the society's chairman, said the Royal Commission on Common Land had said 20 years ago that "all common land should be open to the public as of right." But even now, less than a third was open.

ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

CLUBS

TV/Radio

† Indicates programmes in black and white

BBC 1

6.40-7.55 a.m. Open University. 9.38 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Bagpuss. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Bailey's Comets. 4.40 The Canal Children. 5.05 John Craven's Newsround. 5.10 Think of a Number.

5.40 News
5.55 Nationwide (London and South East only)
6.20 Nationwide
6.55 The Wednesday Film: "Banjo Hackett"
8.30 The Liver Birds
9.00 Liberal Party Political Broadcast
9.10 News
9.35 Dick Emery Show
10.10 Sportsnight
11.00 To-night
11.40-11.45 Weatherman Regional News

All Regions as BBC-1 except at the following times:—

Wales—5.10-5.40 p.m. Bilidowcar. 5.55-6.20 Wales To-day. 6.55 Heddiw. 7.15 The Rockford Files. 8.00-8.30 In Our Nature. 11.40 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 9.00-9.10 Party Political Broadcast by the Scottish Liberal Party. 10.10-11.00 Sportsnight. 11.40 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.35-10.10 Spotlight. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Nationwide (London and South East); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University
10.35 Gharbar
11.00 Play School
4.55 p.m. Open University
7.00 News on 2 Headlines
7.05 Mr. Smith's Flower Garden
7.30 Newsday
8.00 Robert Vas Film-maker 1931-1978
8.35 Landscapes of England
9.00 Party Political Broadcast
9.10 Call My Bluff
9.40 Play of the Week
11.20 Late News on 2
11.30 Arena: Art and Design

BBC-2 Scotland only—9.00-9.10 p.m. Party Political Broadcast by the Scottish Liberal Party.

LONDON

9.30 a.m. Schools Programmes. 12.00 Here Comes Mumfie. 12.10 p.m. Stepping Stones. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 General Hospital. 3.20 The Rolf Harris Show. 3.50 Paint Along with Nancy. 4.20 How. 4.45 A Bunch of Fives. 5.15 Emmerdale Farm.

5.45 News
6.00 Thames at 6
6.35 Crossroads
7.00 This is Your Life
7.30 Coronation Street
8.00 The Streets of San Francisco
9.00 Liberal Party Political Broadcast
9.10 Faces of Communism
10.10 News
10.40 The National Health
12.25 a.m. Close: Neville Jason reads a poem by Edwin Muir

All IBA Regions as London except at the following times:

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 3.20 The Andy Williams Show. 5.15 Mr. and Mrs. 6.00 About Anglia. 8.00 Rafferty. 10.40 The Sweeney. 11.40 Celebrity Concert. 12.30 a.m. The Big Question.

ATV

1.20 p.m. ATV Newsdesk. 3.20 Beryl's Lot. 3.50 The Sullivans. 5.15 Mr. and Mrs. 6.00 ATV Today. 8.00 Quincy. 10.40 Citizens' Rights. 11.25 Drive-In.

BORDER

1.20 p.m. Border News. 2.00 Houseparty. 3.20 In Search Of. . . . 5.15 Mr. and Mrs. 6.00 Lookaround Wednesday. 8.00 Rafferty. 10.40 The Sweeney. 11.40 Gibbsville. 12.35 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News. 3.25 Friends of Man. 6.00 Channel News. 6.10 Castaway. 8.00 Rafferty. 9.00 Review. 10.38 Channel Late News. 10.42 The Sweeney. 11.40 Just Friends. 12.35 a.m. News and weather in French.

GRAMPIAN

1.20 p.m. Grampian News Headlines. 3.20 Paint Along with Nancy. 3.50 Survival. 6.00 Grampian Today. 8.00 Rafferty. 10.40 The Sweeney. 11.40 An Audience with Jasper Carrott. 12.10 a.m. Reflections. 12.15 Grampian Headlines.

GRANADA

1.20 p.m. This Is Your Right. 3.20 Untamed World. 5.10 This Is Your Right. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Mr. and Mrs. 8.00 Rafferty. 10.40 Ally's a Lancashire Lad. 11.10 Late Night Thriller.

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 3.20 Survival. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Havoc. 8.00 Club Mirror Acts of the Year. 10.40 The Sweeney. 11.40 Man and Woman. 12.10 a.m. The Practice.

HTV Cymru/Wales—As HTV general service except: 1.20-1.25 Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV general service except: 1.20-1.30 Report West Headlines. 6.00-6.30 Report West.

SCOTTISH

1.25 p.m. News and road report. 2.00 Women Only. 3.20 Paint Along with Nancy. 3.50 Mr. and Mrs. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Report. 8.00 Quincy. 9.00 Party Political Broadcast by the Scottish Liberal Party. 10.40 English National Opera Gala. 11.45 Pro-Celebrity Snooker. 12.25 a.m. Late Call.

SOUTHERN

1.20 p.m. Southern News. 2.00 Houseparty. 3.20 Emma. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 10.40 The Sweeney. 11.40 Southern News Extra. 11.50 The Butlin's Grand Masters Darts Championship. 12.20 a.m. Weather forecast followed by Survival in Belfast.

TYNE TEES

1.20 p.m. North East News. 2.00 Women Only. 3.25 The Odd Couple. 5.15 Happy Days. 6.00 Northern Life. 8.00 Rafferty. 10.40 The Sweeney. 11.40 Landscape. 12.10 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. 3.20 Out of Town. 4.18 Ulster News Headlines. 5.15 Sale One. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 8.00 Rafferty. 10.45 The Sweeney. 11.40 Horses in our Blood. 12.05 a.m. Bedtime.

WESTWARD

1.20 p.m. Westward News Headlines. 3.25 Friends of Man. 6.00 Westward Diary. 8.00 Rafferty. 10.38 Westward Late News. 10.40 The Sweeney. 11.40 Just Friends. 12.35 a.m. Faith for Life.

YORKSHIRE

1.20 p.m. Calendar News. 3.20 Houseparty. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 8.00 Rafferty. 10.40 The Sweeney. 11.40 Darts.

RADIO 1 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 12.30 Newsbeat. 2.00 p.m. Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.00 Girl Talk. 7.30 Sports Desk (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 a.m. As Radio 2.

VHF Radios 1 and 2: 5.00 a.m. With Radio 2 including 1.55 Good Listening. 10.00 p.m. With Radio 1. 12.00-2.02 a.m. With Radio 2.

RADIO 2 1,500m and VHF

5.00 a.m. News Summary. 5.02 Richard Vaughan with The Early Show (S) including 6.15 Pause for Thought. 7.32 Ray Moore (S) including 8.27 Racing Bulletin. 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S) including 5.45 Sports Desk. 6.40 Conservative Party Political Broadcast. 6.45 Sports Desk. 7.02 Sing Something Simple (S). 7.30 Sports Desk. 7.33 Listen to the Band (S). 8.30 Semprini Serenade (S). 9.02 Portrait of Piaf. 9.55 Sports Desk. 10.02 Morecambe and Wise. 10.30 Hubert Gregg. 11.02 Brian Matthew introduces Round Midnight, including 12.00 News. Tennis: World Championship Doubles Tournament. 2.00-2.02 a.m. News.

RADIO 3 464m, Stereo & VHF

†Medium Wave only

6.55 a.m. Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice part 2 (S). 9.00 News. 9.05 This Week's Composer: Stravinsky and the Ballet (S). 9.40 Organ Recital (S). 10.15 Bartok and Schubert (S). 11.30 Ives and Poulenc Songs (S). 12.05 p.m. Midday Concert (S). 1.00 News. 1.05 Concert Hall: Piano recital: Janacek, Schumann, Smetana (S). 2.00 The Exotic Sound of . . . (S). 2.05 BBC Scottish Symphony Orchestra Fauré, Berg, Schumann (S). 3.25 York Festival 1976, part 1: Lutyens, Mozart (S). 4.00 Interval Reading. 4.05 York Festival 1976, part 2: Birtwistle, Janacek. 4.55 Building a Library (S). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound (continued). †6.30 Lifelines: Language and Communication. 7.30 Sir William Glock: 70th Birthday Concert, part 1: Mozart, Debussy, Saxton (S). 8.20 The Arts Worldwide. 8.40 Birthday Concert, part 2: Boulez (S). 9.30 Scientifically Speaking. 10.15 Janacek. 11.05 Some Prospects of Paradise. 11.25 News. 11.30-11.35 Tonight's Schubert Song.

Radio 3 VHF only: 6.00-7.00 a.m. and 5.45-7.30 p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 8.00 News. 8.10 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 Soundbook. 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 This Way to Shangri-La. 11.50 Vikings, Scots and Saracens. 12.00 News. 12.02 p.m. You and Yours. 12.27 The Enchanting World of Hinge and Bracket. 12.55 Weather and programme news. 1.00 The World at One: News. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather and programme news. 6.00 News. 6.30 Quote . . . Unquote (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 The Road to Carey Street. 9.00 Science Now. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Frank Muir Goes Into . . . Popular Music. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News; Weather report and forecast.

BBC Radio London

206m and 94.9 VHF

5.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 London Live. 11.03 In Town. 12.03 p.m. Call In including 1.00 London News Desk. 2.03 206 Showcase. 4.03 Home Run including London News Desk. 6.10 Look, Stop, Listen (as Tuesday). 7.30 In Town (as 11.03 a.m.). 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 a.m. Question Time from the House of Commons. 1.00 a.m.-Close As Radio 2.

London Broadcasting

261m and 97.3 VHF

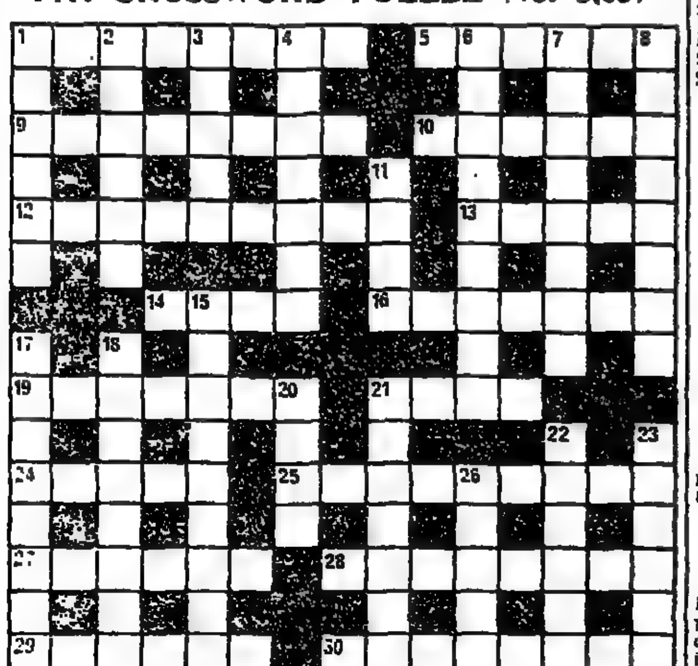
5.00 a.m. Morning Music. 6.00 A.M.: non-stop news. 10.00 Brian Hayes. 1.00 p.m. LBC Reports with George Gale's 3 O'Clock Call. 8.00 After 8—with Ian Gilchrist. 9.00 Nightline. 1.00-5.00 a.m. Night-Extra with Adrian Scott.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 p.m. Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Your Mother Wouldn't Like It with Nicky Horne (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,657



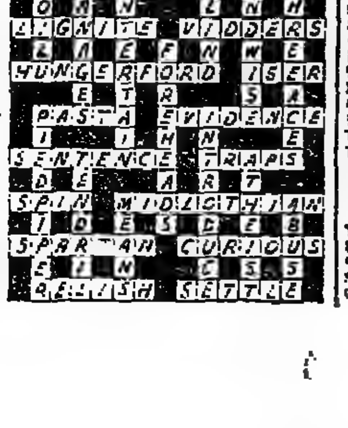
ACROSS

1 Sign of snake seen on the Thames annually (8)
5 Quash for a drink (6)
9 Pounding with energy but in for a roach ride? (8)
10 Peril arising from garden (6)
12 Disfigurement in class accepted by God (9)
13 Bring up a shark (5)
14 Wood for box (4)
16 Time certain to produce a cancellation (7)
19 Wave seen right inside a large glass vessel (7)
21 Gas turned to zero for a pudding (4)
24 Where there's water to drink or duck a little sister (5)
25 Vehicle is seen in storm needing cover (9)
27 Mother returns to get the better of a hot-headed person (6)
28 One who calculates or is ready to do so (8)
29 Stopping work on hedge (3-3)
30 Pack a thoroughfare to get a free trip (8)

DOWN

1 Happen to be tied in knots (6)
2 Cut loose like a doctor with one foot (6)
3 Monarch who gives good measure (5)
4 Money that is right in sack (7)
6 Convicts a changing arrangement (5-4)
7 Food for feline fool (5-3)
8 Meet Arab people (8)
11 Instrument used in early recordings (4)
15 Weapon for fish workers (9)
17 Eccentric sailor Norma left (8)
18 Daft as ye may be at holiday time (5-3)
20 Scrap with Oriental in storm (4)
21 Having money for dry-cleaning fluid (7)
22 Cut the grass around pub and fish (6)
23 Gamble and beam but be treacherous (6)
26 Question East and West obliquely (5)

SOLUTION TO PUZZLE No. 3,656



هكذامت الأجل

Television

Old News at Ten

by CHRIS DUNKLEY

Although the news pro- -ammes claimed a dispropor- onate amount of attention uring the past 10 days, it has een a remarkable period for levision in at least eight other spects: there have been four itable beginnings and four itable endings.

We saw the beginning of the ort series *Faces Of Communism* from Yorkshire TV, in hich Robert Kee combined the proach and the skills of the iter and the broadcaster to exactly what was needed in programme about Yugoslavia. e related the general to the rticular; looked behind the miliar public image at the ivate one (though it would ve been good to know how the atured family was chosen) and us filled much of the gap tween political dogma and ivate life.

We saw the end of *Men Of ras*, BBC2's startlingly am- ious series about modern stern philosophy. The pre- nter, Bryan Magee, has been tigated for contributing over- ng and over-frequent questions the discussions, and indeed ere were occasional comic ments as when one of his estions to Iris Murdoch ran to ouple of hundred words or so her reply was "Yes."

et Magee's contributions have ost invariably been more erent than those of his guests. in several cases the pro- mmes would have been im- ved if the philosophers or hers in question had been ent altogether and the cription of their ideas left irely to Magee who has for rs been one of the very best the serious presenters on vision.

n *The Knights Of Malta* John ius Norwich and producer neth Shepheard started a series of BBC 2's ronicle" with a bang, by ing film of historic docu- its, objects and paintings with of surviving locations and wich's narrative to tell a d, violent tale of Christian ghts and infidel hordes that pure Henty.

qually vivid and violent was last part of *Law And Order* C 2 again) in which the in was finally broken by a *on system* which was depicted uite accurately in my limited sickening experience — as ing deliberately to break er than rehabilitate pri- rs. In the brouhaha over the th" or otherwise of this s, its achievement as drama has tended *to go unacknowledged*. The whole was greater *than the sum of the four parts*, and history will surely show that *producer Tony Garnett has left* yet another milestone on the television drama road that has led from *Cathy Come Home* via *The Lump* and *Days Of Hope* to to-day.

However, another of the week's beginnings, ATV's *Scorpion Tales*, was less like a milestone than a millstone which ground out little lumps of dirt. "Easterman" was quite the nastiest first episode of anything that it has been my misfortune to see for *a long time*; plot, characters, and language were all gratui*tously offensive*.

In the London area we saw the end of Thames Television's series *Mavis*, named after its presenter *Mavis Nicholson*, an admirable set of talk pro*grammes halfway between* the chat show (but *Mavis* was blessedly free of plastic celebrities peddling their plastic wares) and the God-slot (though *Mavis* was also free of cant). Mavis Nicholson is full of delightful common sense, and because she is so obviously genuinely interested in the answers to her questions—about life and death, love and hate, little things of that sort—she refreshes the interest of the viewer. A further series and national distribution are in order.

The week's most *tantalising* ending for me was that of *Heads and Tails* (BBC2 yet again) since the first seven episodes in *this little series about coins* escaped me entirely. Eighth and last was "*Make Your Own Money*" about the appearance of copper *tokens in the late 18th* century. Though the production *was simple to the point of spare*ness—just presenter Robert *Erskine intercut with close-ups* of the coins—it made its simple *story quite fascinating*.

And the most promising beginning of the week was *The People Show* in a pilot edition which London Weekend only decided to transmit at the eleventh hour, so that it went out unscheduled at mid-night on Saturday. Presented by a more than usually relaxed Russell Harty, with the multi-coloured Janet Street-Porter, *the arch* schlock absorber Clive James, and the *chalk-stripe suited Par*liamentary sketch writer Andrew *Alexander all contributing in* the studio. It was not entirely clear whether the *programme* was intended to emulate the new generation of Fleet Street gossip *columns* or pour scorn on them. Either way it did have about it *the invigorating feeling* that, even if it wasn't going to sink *the fangs of satire deep into the* legs that really merit it, still it *might nip some deserving* ankles.

Yet *it was the news* programmes, and ITN's *News At 10 in particular, which demanded* most attention. I felt obliged to watch rather closely *not just* because the much-heralded Anna Ford had at last left the Fleet Street lenses to start work in front of the *ITN* cameras, but because the reaction to the "new" *News At 10* in *Broadcast* magazine was one of outrage verging on hysteria.

Broadcast is the industry's own highly informative parish mag. and the unusual outburst filled an entire page which the writer *should* have devoted to reviewing the week's new commercials. *According to this (anonymous)* writer the new ITN programme was "like the longest commercial ever transmitted." It started, he said with "a grossly overextended split screen title sequence that seemed to go on *forever*" and when the programme proper started "ITN *sold the news*" using "every trick in the commercial maker's book . . . indiscriminately and with total disregard for the story or the sensitivities *involved*. In essence it was the *Sun* newspaper made live." It could only be a matter of time, said this *horrified writer, before ITN even* added its own page-three nude.

This sounded most promising. It had always seemed absurd that while more people in this land of free speech and free choice read the *Sun* or the *Mirror* than all the other dailies combined, *television despite all* its demotic outpourings could only *manage two near identical* news programmes both seemingly aimed at *Daily Telegraph* readers.

Yet *a week or so of close* monitoring suggests that all that *outrage* was misplaced, and merely reflected the familiar *obsession* with the minutiae of TV news which seems to possess those who work in or near the rest of the mass communications business.

By my reckoning the title sequence lasts 15 seconds, just as it always has. There do appear to be attempts to read a little faster than before. But the claim that *News At 10* has become the *Sun* of the air seems to me quite absurd. The list of subjects covered is, as ever, practically identical to that used by the BBC *Nine O'Clock News*. There is nothing new—or *Sun like*—in the use of location photography, *inserts, film, slides, reconstruction sequences, or old Press pictures, all of which evidently* upset Disgusted of *Broadcast*.

What is new (it could be a fluke in this one week, but that *is hardly likely) is the way that News At 10* splits up its time. *Instead of a dozen or so items* of something like equal length *which has been a fairly common* format in both BBC and ITN programmes hitherto. ITN *now* seem to be mixing items of much more contrasting lengths. For instance *News At 10* on April 24 contained one very long item (6½ minutes), five very short (as little as 12 seconds) and seven of medium length. BBC1's *Nine O'Clock News* on the other hand is still likely to contain 11 items of medium length and three somewhat shorter—though none as short as ITN's "briefs."

That apart, however, both news programmes seem to be much as they have been for years. Arts subjects are still steadfastly ignored. The BBC continues to announce the temperature on a scale that virtually nobody understands. Ivor Mills is still talking about the well-known *policeman's friend Laura Norder*. Jim Biddulph told us last week that "China's mirrions are hell-bent on technology." And *Angela Rippon—no doubt seeking to protect sensibilities all over Cheltenham—*gave us the bowdlerisation of the year with *her story of a world-famous* Brussels statue which she called "*Mannikinpees*."

Most irritating of all Alastair Burnet is still *talking* in. Peculiar phrases. Which bear *little clear*. Relationship. To their meaning. Rather like. This.

And what of the lady at the *centre of all the attention*—Anna Ford? She is certainly fairly *attractive*, and apart from a couple of habitual mispronunciations common among news readers ("parr industry" for power industry, and "plitical correspondent," for instance) she reads the news very clearly.

The irony is that in the very week that ITN were introducing her as one half of their first ever male/female team, ABC in America were deciding that although their famous $1m. a year lady news reader Barbara Walters will still contribute to their news programmes, she will no longer co-present it. Instead ABC will use three male presenters: one in Washington, one in *Los Angeles, and one in our* very own London. What price *ITN co-presented from America?*

Newscasters all—Alastair Burnet, Ivor Mills, Angela Rippon and Anna Ford

Aram Khachaturian

e Armenian composer, n Khachaturian, has died, 74. Whether or not history support the verdict, chaturian in his lifetime ed as the third most cele- ed Soviet composer, after takovich and Prokofiev. To general, as opposed to the ical public, he was *the best*- vn of the three, largely g to the popular Sabre ce in the ballet *Gayaneh*. He *wrote symphonies*, con- os, theatre and film scores one other ballet, *Spartacus*, which brought him fame *through the Bolshoi* Ballet's brilliant presentation.

Though Kahachaturian was one of the composers accused by the Zhdanov decrees of 1948 of "formalistic perversion," his better-known music is colourful, unihibitedly brash, unshamedly exploiting the Russian folk-music idiom as used by Rimsky-Korsakov and the *nationalist* composers. He was a deputy of the Supreme Soviet.

RONALD CRICHTON

Shaw and Shakespeare

For the first time the New Shakespeare Company will be presenting plays by the Bard's great rival George Bernard Shaw in its Open Air Theatre season at Regent's Park. The plays, *The Dark Lady of the Sonnets* and *The Man of Destiny*, will each be seen *first* as a lunchtime production and then will be presented as a double bill to join *A Midsummer Night's Dream* in repertory.

The production of *A Midsummer Night's Dream* will open on June 5, with previews from May 29. The Shaw double bill will join it in repertory on July 17 and the season will run until August 26.

The *Dream* is based on the highly successful 1974-75 produc*tion, but with a new cast, settings* and costumes. Again David Conville directs and Tim Goodchild designs. Rula Lenska plays Titania, Granville Saxton (Oberon), Elizabeth Estensen (Helena), Ian Talbot (Bottom), Helen Weir (Hippolyta), David Weston (Theseus), Anthony Sharp (Quince), *David Cardy* (Puck).

Royal Shakespeare Theatre

The Tempest

by B. A. YOUNG

This most magical of Shakespeare's plays is here presented with half the magic drained out of it. Not of course the magic of the story and the language it is told in, but the intangible magic that haunts Prospero's island, the magic he wields against his enemies in his unorthodox reclamation of his dukedom.

The island itself, designed by Ralph Koltai, is feaureless and barren, a flat plain with a dark curve of black plastic at the back that looks as if it were to house the two young chess-players at the end, but is never even used for *storing* logs. (The chess-players come up on the trap). *There might* have been more colour if the lighting-*board had not developed faults* that put it out of action; hard *luck on Leo Leibovici* that his credit for the lighting must be confined to a pat for having done soe well in the emergency. Michael Hordern's Prospero, in his grey knickerbocker suit, his magic garment a black schoolmaster's gown, suggests some wandering Mr. Chips.

But here is magic of the genuine kind, for Mr. Hordern's *performance, down-to-earth as it* is, is vivid and uncommon. He has an enviable gift of speaking the verse so that it is at the same time great poetry and every day communication. "Sit then and *talk* to her," he tells Ferdinand when he has handed over his daughter, and a world of Puritanism is in that emphasis. "My dainty Ariel, I shall miss *thee*" suggests a railway-station parting; indeed when Ariel—a rather earthbound spirit from Ian Charleson, though he sings *prettily—asks his most moving* question, "Do you love me. *master*? No?," Mr. Hordern's "Dearly, my delicate Ariel" is almost a brush-off. There is every justification in the text for making Prospero a grouchy old duke. But he has wondrous lines to speak, like "Ye elves of hills, brooks, standing lakes and groves," and when he comes to passages like this, Mr. Hordern makes it clear that there is nothing accidental about his earthiness.

Caliban is quite undeformed as far as I could see, a black savage tamed by Prospero's colonial genius; David Suchet, with his quick run at Miranda as soon as he sees her, establishes him at once as a *wild* man. The scenes with Stephano and Trinculo did not make me laugh much; Richard Griffiths is a very reserved jester as Trinculo, though Paul Moriarty lets himself go a bit more as Stephano, being the drunker of the two.

Apart from an occasional habit of slurring two or three words together at the start of a speech, Alan Rickman is a personable, if not exactly magnetic Ferdinand. He might learn some princely tricks from his father, the King of Naples, who is given a truly regal aspect by Dennis Edwards. Miranda is a brighter girl than we sometimes see, as Sheridan Fitzgerald plays her, curious about the family history her father thinks must bore her, and making intelligent communication with Ferdinand at once.

The "Strange shapes" that bring in the banquet, the dog-headed spirits that chase away the drunks from their store of drag, the colourful goddesses making patterns like living blossoms, fulfil their functions as they should: but it is ballet, not magic. (Choreography by Robert North, fine music as usual by Guy Woolfenden.) The director is Clifford Williams, and he does not make mistakes. The enchantment has been lifted from us on *purpose*.

Sheridan Fitzgerald and Michael Hordern

Guildhall

Terpsicore

by RONALD CRICHTON

The English Bach Festival—the next best thing to warm spring sunshine and much more dependable—is with us again. Miss Lalandi opened her activities last night in the Guildhall with a baroque Divertissement sung and played by the Festival's Baroque ensemble and danced by their six-strong troupelet trained in Baroque dance by Belinda Quirey and Michael Holmes. No other Festival would put on such an entertainment in a hall where so little is likely to be clearly heard and still less clearly seen. Yet it was a pleasant if sometimes dotty *evening, obviously enjoyed by a* large audience.

Handel's *Terpsicore*, described by Winton Dean as "the only opera-ballet *in the French style* ever written for the London stage," was added *as a prologue* to the third (1734) version of *his opera, Il pastor fido*. It was Handel's first season at Covent Garden, where the famous French dancer Marie Sallé was reigning. She danced the title-role. The slight action hinges on Apollo's invitation to the Muse of dancing to demonstrate to Erato (Muse of love poetry) and to *himself* "various aspects of erotic passion." Sallé was an *innovator and an original, whose* "scanty attire" offended London *and caused her return to Paris*.

Michael Holmes and Belinda Quirey, disclaiming any attempt to reproduce (the programme, by what was presumably a misprint, said "introduce") Sallé's style, opted for "orthodox Baroque technique" of the kind seen in last year's *Princesse de Navarre*. The group has three *girls and three boys*. One of the girls seemed to have a little *more to dance than the others* but was not named as Terpsicore, *and if she mimed erotic passion* the result failed to reach the *middle of the hall*. Last year we had a *Princesse de Navarre* without the Princess—the EBF must without more ado commission an opera-ballet on *Hamlet* without the Prince of Denmark, of course.

The Festival's methods may be odd, but the choice of works is *discriminating. Handel's score*, neglected here since the first per*formance except for a shortened* version done by a visiting company to Edinburgh, proved well worth reviving—a chain of solos and duets for Apollo and Erato with dances plausibly threading through them, framed in choruses. The second duet and the God's second aria (with recorders) are winners. The counter-tenor Rodney Hardesty, whose tone has grown more even and more warm, sang Apollo. Erato was taken by Caroline Friend in place of Marilyn Hill Smith—*Miss Friend also sang the* soprano line in the choruses.

From a position where (like the great majority of the audience) I could see neither ankles nor feet, the dancing looked vaguely pretty, the quick numbers were nimble, the soft arm movements pleasing. Of any form of expression there was little: of erotic possion, nothing. *The dancers were used again*, formally and without any appar*ent dramatic intentions, for the* dances in Bach's B minor Suite *or Overture*. The Baroque costumes looked much better under the Guildhall lighting (normal, with a few extra spots) than they did last year at Covent Garden, and were more confidently worn.

Nicholas Cleobury directed *from the harpsichord*. Simon Standage, the first violin, played *solo in Bach's A minor Concerto*, whose quick movements were not helped by the hall's muzzy acoustics. In the Suite, Nicholas McGegan's flute gradually detached itself from the string tone as the ear grew accustomed to the small sound in the large space. In *Terpsicore*, on the other hand, the continuo was barely audible.

Queen's, Hornchurch

Tommy

by MICHAEL COVENEY

This extraordinary rock dream by Pete Townshend and The Who has become, as Mr. Townshend self-deprecatingly puts it in a programme note, rock's *Pirates of Penzance* in the ten years since the disc was first cut. The Who have consistently proved themselves the most musicianly, most theatrical group in recent years. This opera predates *Jesus Christ Superstar* by two years and can claim full credit for being the first and *probably best rock opera* we have produced.

The story centres around the sense-numbing experience of a young Welfare State product of war-time lust. *When wounded* Dad returns home, he finds Mum in the arms of her lover and reacts accordingly. Young Tommy — angelically portrayed by a little blond vision—is stunned into deaf-mute silence by the subsequent punch-up. What is most fascinating and provocative about the score is how this event results in the career of Tommy the folk-hero via a sensational public career as a pinball wizard.

The separate numbers have entered into pop music legend. Ken Russell's brilliant film introduced a cruelly luxuriant *close-up camera into each song*. But the ingenious Hornchurch *production restores* the relationship at the core of the score between Tommy and his backing group. Four dozen youngsters, swaying and bopping beautifully in the background, emerge as Tommy's disciples before, in the later stages, disowning him as a cult figure and nailing him to a *T-shaped crucifix*.

The working-class grit of the libretto is less well done in this co-production by Paul Tomlinson and John Hole than is the general Messianic glee. Allan Love is a striking and sympathetic Tommy, revelling in long curly locks redolent of The Who's original, Roger Daltry. And there is some truly superb microphone singing by Paul da Vinci and Dana Gillespie, who doubles as Mother and the Acid Queen.

A great band, too, is fully alive to the pulse and energy of *the music*, and not a word is lost in an exemplary piece of amplified theatre. We should still expect a brilliant stage realisation of this wonderful piece (it has yet to be presented in the West End). But, for the time being, this production will more than serve.

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Wednesday May 3 1978

Labour and unions

THE FACT that Mr. Terry Duffy has defeated Mr. Bob Wright for succession to the presidency of the Amalgamated Union of Engineering Workers, and by a much more decisive margin than in the first round of voting last autumn, will probably be regarded by the Prime Minister and the Chancellor as encouraging news. Not only does it mean that the second largest trade union in the country—and one which goes in for regular re-election of its officers—now has a right-wing executive. More specifically, it means that the new president is one who sees potential advantages for the trade unions in co-operating with the Government rather than one who is openly pledged to oppose any Phase Four of incomes policy.

As a direct result of its regular re-election procedure (even though only the usual small minority of members take part in it), political attitudes in the AUEW tend to be abnormally polarised between left and right-wing. But, in the heat of electioneering, the leaders of the two wings are apt to exaggerate their real differences. Thus Mr. Duffy has declared that he is in favour of a Phase Four but only of an undefined kind and provided that it contributes to a permanent improvement in living standards. Mr. Wright has rejected a Phase Four because he believes that the job of a union is to negotiate, not because he regards "free collective bargaining" as a sacred cow.

'Understanding'

Although the victory of the former, therefore, seems to follow tidily on Mr. Callaghan's May Day speech, in which he dismissed free collective bargaining and said that the Government could no longer simply stand aside from pay negotiations, it is not an unmixed blessing for Ministers. Quite apart from any internal consequences it may have for the structure of the AUEW, it is likely to sharpen the differences of self-interest and attitude between skilled and relatively unskilled engineering workers. The toolroom workers, for example, who have complained particularly bitterly about the compression of their traditional differentials as a result of pay restraint and are likely to fight for their restoration, have been active in support of the defeated Mr. Wright.

But Mr. Callaghan made it clear he can argue, that there will be room under Phase Four for widening differentials and righting anomalies. Certainly he did not make it crystal clear what he and Mr. Healey have in mind. He began from the premise that, because it was itself a major direct and indirect employer of labour and because wages in the public and private sectors are closely connected with one another every U.K. Government nowadays must hold direct discussions with organised labour about pay questions. And if such discussions were to be held, he went on, carefully substituting the phrase "new understanding" for the worn-out "social contract," it was clearly in the interest of the unions to hold them with a Labour rather than with a Conservative Government.

Arbitrary

But he had something more than a party political point to make. He spoke of the lower rate of inflation, the cuts made in taxation, the coming rise in general living standards, and the need to bring inflation further down to the level of our competitors if progress were to be made with reducing unemployment. He mentioned no norm for next year's pay settlements, but expressed the hope that the average would be low enough to allow for much greater flexibility. This is a hope which we can all share, but two points have to be borne in mind even at this early stage of the discussions: first, some powerful groups of workers are unlikely to be as restrained in the next round as they have been in this and second, that for there to be room for significant settlements above the average it will be necessary for some groups of workers to settle below it.

Although Mr. Callaghan seems to be talking in terms so general that Phase Four might be no more than a discussion about the state of the economy, it is not to be forgotten that Phase Three began with a recommended average which, through a combination of official and union pressures rather than discussion and consent, became an excessively rigid norm. It is not to be forgotten, either, that the more flexible the terms which the Government is ready to approve for future pay bargaining, the more arbitrary and unjust will be any rulings laid down by ministers or officials about particular settlements and any sanctions used against offending employers.

The Middle East deadlock

THE VISIT of Mr. Menahem Begin, Israel's Prime Minister, to the United States to celebrate the thirtieth year of the existence of the Jewish State should have provided an opportunity for celebration. But it is clear that relations between Washington and Jerusalem are badly strained, and that both Arab States and Israel are betraying signs of stress which can be directly attributed to the continuing deadlock in diplomatic efforts to restart negotiations on the conflict.

Contortions

Some of the unease that the initiative of President Sadat of Egypt in visiting Israel last November is being allowed to slip away without gain starts in Israel itself. Since that visit, Israel has made it harder for outsiders to believe in its desire to reach a settlement with the Arabs. There was firstly the massive invasion of south Lebanon, in response to a particularly gruesome Palestinian raid north of Tel Aviv. Secondly there have been the verbal contortions over whether U.N. resolution 242 (which calls, among other points, for "withdrawal of Israeli armed forces from territories occupied in the recent conflict" of 1967) applies to the West Bank or not. In Israel the Peace Now movement symbolises the feeling that Mr. Begin's narrow ideological commitments have prevented him from responding fully to Mr. Sadat, and may lead to a crisis with the U.S.

In Egypt, Mr. Sadat was yesterday still standing by his belief that his visit to Jerusalem had opened all doors and that with U.S. mediation and pressure on Israel, it would be only a matter of time before concessions would be made on the West Bank. That done, he would be able to claim that his initiative had not failed, and that, as he has always maintained, he had been acting all along with the purest of pan-Arab rather than selfish Egyptian motives. However, dissent is now rising at home over the handling of the economy, and this is spilling over to form a dangerous alliance with criticism of foreign policy.

Another crisis is looming over the U.S. package of war planes for Israel, Egypt and Saudi Arabia. Israel is more worried about the long-term strategic implications of such a deal (which has still to pass through Congress) than about its immediate effect on national security. But Saudi Arabia views the supply of F-15s mainly as public acknowledgement for its efforts to keep oil prices down, to continue to supply the U.S. with oil, to back the pricing of oil in dollars, to maintain its high level of investments in the U.S., and to act as a moderating influence in the Arab-Israeli conflict.

Twilight area

Negotiations over this conflict are at present in a disturbing twilight area where unease at the deadlock is clear, but ways to open up the impasse are less so. The problem is that Israel is unwilling to talk in substance about withdrawal on the West Bank until negotiations are under way. At the same time it sees Mr. Sadat's conditions for negotiations as being too stiff to accept. The main task for the Americans must be to persuade Israel to offer more. The benefits would be firstly an opportunity for negotiations to restart. Secondly, such progress would keep the position of the U.S. in the area secure. Thirdly, as Mr. Carter has indicated, Mr. Begin's concepts of administrative autonomy for the West Bank, if presented differently, are not too far away from what Egypt and Jordan might accept as an initial arrangement for this crucial area of the Middle East.

The impact of the AUEW's swing to the Right

BY CHRISTIAN TYLER, Labour Editor, in Worthing

THE MODERATES' capture of the top job in the engineering union has given some focus to the Prime Minister's promise on Monday of a "new understanding" with the trade unions in which the old concept of free collective bargaining would be jettisoned for ever.

With Mr. Terry Duffy ensconsed as President of the Amalgamated Union of Engineering Workers and with the rightwards shift virtually all down the line in the union's elections, the "moderate" image which Britain's second largest union has developed in recent years under that former firebrand of the Left, Mr. Hugh Scanlon, has been confirmed. Among the leaders of the big unions who regularly confer with the Government only Mr. Moss Evans, Mr. Jack Jones' successor at the Transport Workers, is strongly reflecting the demand of shop stewards to be left alone to negotiate freely with their employers.

Ministers will doubtless see the results of the AUEW elections as vindication of their belief that rank and file trade unionists will accept Government intervention in wages provided that intervention is tactfully exercised. Although the AUEW's postal ballot system has largely favoured right-wing candidates, some left-wingers yesterday admitted that the elections were a positive rejection of "progressive policies."

But any interpretation of the result should also take into account the fact that this is a very divided union politically. Politics take up an enormous amount of time and energy for the union's leading lights; and it may be that faced with a straight choice between Mr. Bob Wright a Labour left-winger, who has never made any secret of his Marxist ideology or Communist Party backing, and Mr. Duffy, whose philosophy is one of co-operation rather than struggle, the instinct of the members was to play safe.

Mr. John Boyd (left), the union's General Secretary, with his protege, the victor in the AUEW's election, Mr. Terry Duffy (centre). On the right is Mr. Les Dixon, one of the losers, both politically and personally, in the vote.

Other craft unions

Although there will be no dramatic change in policy, yesterday's result could have a considerable impact on the development of TUC-Government relations, on the union's relations with engineering employers and—not least—on the future of the shaky AUEW amalgamation and its prospects for merging with other craft unions, like the right-wing-led Electrical and Plumbing Trades Union.

Mr. Duffy said after his victory had been declared that his aims were to eliminate long strikes and internecine strife, and to persuade workers to "project their minds beyond the immediate pay packet" and seek long-term gains instead. He would also campaign to abolish the difference between staff and manual workers because that, he argues, is bad for industrial relations.

Co-operation with the Labour Government and consultation with a Conservative Government would be the order of the day.

"That does not mean necessarily that if the Cabinet makes decisions that are harmful to the working class we shall not oppose those decisions.

"But there is a need to combat inflation. I am hoping we shall be able to emerge from this restrictive wage policy without a wage or price explosion as in the past. In the past we have had a paper chase.

"I do not envisage that we shall be having any wage confrontation with this Government. We need more elasticity this time. We need restoration of the craft differential in order to obtain a skilled labour force."

On many issues, he said, he had "great difficulty in differing with Hugh Scanlon." But if Mr. Wright had won, then there would have been some disunity in the TUC.

"I don't think he would have co-operated with the Government as my predecessor did."

Asked about Mr. Moss Evans' stance, he said: "Some trade union leaders have the luxury of being able to make speeches in which they formulate a policy. Any trade union leader who seeks confrontation is, to my mind, not representing the majority of his members' views.

"What we are looking for is a real purchasing power improvement. If we can see that the pill is being sweetened, I feel the trade union movement will co-operate.

"There has never been under free collective bargaining a fair or equitable wage structure. I do not think bargaining power should be the only criteria. We have to be our brothers' keeper."

While Labour had introduced legislation more sympathetic to the unions than the Conservatives, Mr. Duffy said he was ready to consult the Conservatives if they win the next General Election. But he warns that if "some of the more vociferous Tories" were looking for a fight, the union would certainly be prepared for one.

"I hope that the Tories will not make the same silly mistakes as in the past."

Mr. Duffy admits there has been a lot of hostility to his campaign against strike action but believes his electoral victory is its ultimate endorsement. "The strike is a very delicate weapon. Sometimes a short sharp strike is a good safety valve. But long strikes are of no use to union or nation. I will strive to reduce them.

"I am convinced that once you have a strike, the legacy is that customers seek alternative suppliers whether they produce cars or anything else. But I think British Leyland is setting an example. Let the workforce know what is happening by consultation. I have always been opposed to nonsensical strikes between worker and worker or between union and union."

Mr. Duffy backs the union's line on worker directors, which is to accept them in the public sector but not in private industry. "I do not feel we are equipped to saddle our shop stewards with this awesome task."

A common rule book

As for the amalgamation of the four sections of the AUEW, Mr. Duffy says it is in a shambles. He believes that the white collar section TASS, which is led by Mr. Ken Gill, a Communist, does not want a common rule book and that his own determination to abolish the staff/worker distinction will upset TASS members.

He will go all-out to secure a merger with Mr. Frank Chapple's electricians union—something that Mr. Wright would have resisted unless the terms were very different from those now being put forward. Indeed, this is one area where the election result may have been crucial.

Although Mr. Duffy had a substantial majority, few people cared to predict the outcome. On paper, Mr. Wright seemed to have everything going for him. After the first ballot in March he was only a few hundred votes behind Mr. Duffy when they had 83,000 apiece. Then Mr. Roy Fraser, the determined and articulate leader of the Leyland toolroom workers told the 20,000 who had voted for him to swing behind Mr. Wright in the run-off. Again, Mr. Wright is one of the best-known figures in the trade union movement, especially for his work at Leyland and his part in the Ryder plan, and he is well regarded by employers.

Mr. Duffy, on the other hand, was little known outside his Midlands patch until he ousted Mr. Wright from the union's Executive in 1975. On top of that, the resentment that had built up against two years of self-imposed wage restraint from the TUC—an actual cut in living standards—appeared to favour Mr. Wright's campaign against the Social Contract.

The new president of the AUEW (who takes over in October) is clearly conscious of his inexperience and confessed yesterday to be "humbled" by his success. Up to the last minute he was reminding us of the people to whom he owed his sudden rise to the top. No one in the union business gets far if he is not tough, but Mr. Duffy has been largely propelled from behind by the moderates' machine. Now that he has got there, it will be interesting to see the interplay between him and Mr. John Boyd, the right-wing General Secretary and a Scot for whom the adjective canny might have been invented. As a veteran of the Labour movement, in the union and in the Labour Party, Mr. Boyd, whose role is largely administrative now, may see all kinds of possibilities opening up for playing upon the strings of policy.

As spokesman of the union, Mr. Duffy will—as he said yesterday—be no more free than Mr. Scanlon has been to decide policy because of the union's doctrinal respect for the decisions of its 52-man lay committee that meets, as this week in Worthing, to decide the line for the coming 12 months. But with such a tide of moderate opinion running in the union and given his own beliefs, Mr. Duffy's presentation of those policies to the public, Government and employers, could be a lot less combative than Mr. Scanlon's.

He will be presiding over an executive committee of the 1.2m.-member engineering section that will split 5 to 1 for the Right until a successor to Mr. Duffy is elected.

Banner of the Left

His own seat, for the West Midlands and Manchester area, will have to be filled. With Mr. Les Dixon, a Communist ousted yesterday, there is only Mr. Reg Birch, a Maoist to carry the banner of the Left—and he retires soon himself. Only a few years ago the Left could command three or sometimes four votes out of the seven and Mr. Scanlon was there to break a tie in the Left's favour.

Among the district secretaries, the Left lost much ground in yesterday's elections. The 52-man national committee itself is still held by the Right, with a majority of several votes. Not one left-winger succeeded in reaching the five-man standing orders committee which is elected at the start of each annual conference and which usually reflects the voting pattern for the rest of the conference.

The engineering section's highly prized democracy—some would say democracy run riot—means that jobs are insecure and that the price of losing can be high.

Mr. Wright was himself unemployed for seven months after losing his executive seat before he came back as assistant general secretary. Yesterday's casualty was Mr. Les Dixon, for eight years an executive councillor for the East Midlands and East Anglia who has settled in London in a house owned by the union. He is vice-chairman of the National Craftsmen's co-ordinating committee for the steel industry and has been negotiating redundancy terms for his members in the British Steel Corporation. He, at the age of 57, will be on the dole in three weeks' time unless he is lucky enough to find a job before then. As he said yesterday: "It's a bit ironical. I have been negotiating payments of up to £16,000 for redundant steel workers, and I am out without a penny."

MEN AND MATTERS

Gift of tongues in steak strike

If you walk past a Garners' Steak House in London's West End, you are likely to have a leaflet in six languages pushed into your hand. This is the Transport and General Workers Union in multi-lingual guise, striving to stop foreign tourists using the Garners' restaurants—subjects of a 14-week official strike over union recognition. It looks as though the strike, which has echoes of the Grunwick showdown, is nearing a climax. Five of Garners' 12 branches are being picketed and strike leader George Abrahams claims that takings have been severely affected. "We know," he told me, "because our contacts still working inside keep us informed."

Abrahams says the union is putting more pressure on suppliers. "We are stepping up the blacking, including meat from Smithfield." TGWU is organising a "Garners rally" on May 20, ending in Trafalgar Square, the speakers will include Len Murray. Enthusiasm for marching has not been dampened for the strikers by taking part in the wet May Day rally.

For their part, Garners' managers keep a rigid silence. The owner, Cyril Margolis, refused to talk to me on the telephone. But the company maintains that before the strike began a ballot showed that 133 employees wanted a staff association and only 13 wanted to join the TGWU. The unionists deny this and also claim the walkout by 100 workers was provoked by poor pay.

As the leaflet for the tourists declares: "PAIE—£28.49 pour une semaine de 55 heures. Nous vous prions de manger ailleurs." A strike organiser named Habib Rahman even assured me that tourists keep pressing money into the pickets' palms.

Spelling it out

Harriette Lewis was spurred on during her three-year labour of compiling initials and acronyms when her young grand-daughter complained: "They asked me at school what EEC meant and I didn't know." Mrs. Lewis has this week seen the results of her long task appear as a pocket dictionary: *Initials—What they Mean*. She says: "There is a world-wide initial-mania and everyone likes to turn his own organisation into an acronym. So when I found I could not understand the newspapers myself upon seeing things like QUANGO in headlines, I decided it was time to shed some light."

Harriette Lewis, a judge's wife who lives in Twickenham, has not brought out her *vade-mecum* (6,000 entries for 95p) for personal gain. She is a leading figure in the National Council of Women, which will be receiving the profits. "The compilation was a nightmare," she told me, "and I am already thinking about a second edition. The world seems to manufacture acronyms at the speed of lightning." I asked whether any dictionaries of initials had been produced before, apart from the appendices to ordinary dictionaries. "Nothing popular, although four American professors produced a huge tome 10 years ago. Nothing you can put in your breast pocket—or handbag." So rescue has come at last for those of us who cannot even tell the difference between a SPAT (Supplementary Pay Appeals Tribunal) and a SPIDOT (Self-Propelled Immersible Drive-off Trolley).

Golden thoughts

An editorial in East Berlin's Neues Deutschland, the main daily paper, denounces the old saying "Time is Money" as "typical of the way capitalist businessmen think." Under Socialism, new values have developed.

This is why a new motto has been coined (excuse the expression) in East Germany; it goes "Time is Gold." And the newspaper says it is growing very popular. The ideological foundation for the new slogan is that "the faster productivity rises, the better for all members of our society . . . . the value of effectively used working hours and rationally used materials and machines can only be measured in marks and pfennigs."

"Computing every hour and every minute is all the more important as they increase in value. At the beginning of this five-year plan, 100m. marks was produced each hour and by 1980 it will be 130m. marks."

So much for the gold.

Suddenly it's Bahraining

When you talk to Arabs about the possibilities of solar energy as a substitute for oil, they tend to say rather complacently: "We have even got more sun than you have." To prove that they're ready to exploit this natural bonus, some oil-producers are showing a positive interest in the sun's potential.

Yet Allah does not always smile on such ventures. Last week the first major international conference and exhibition on solar energy to be held in the Gulf opened in Bahrain. Called Soltech '78, it seemed destined to be a winner from the outset. There was only one unco-operative element: the weather.

On the opening day, Bahrain's normally blue skies were overcast, the air was muggy—and in the morning there was even a feeble attempt at rain.

African trails

Kenya is wondering how much of the spirit of the Organisation of African Unity still survives. Will it allow Tanzania's President Julius Nyerere to find a way for Kenya to export dairy produce to Zambia—and thus reduce President Kaunda's painful dependence upon South Africa for such goods? A high-powered Kenyan delegation, headed by Foreign Minister Munyua Waiyaki, has just returned from Lusaka, capital of Zambia, after trying to find some way of restoring the dairy exports after a year's gap. Until last year, long-distance lorries trekked southwards through 2,000 miles of African bush with butter, cheese and other farm produce. Then Tanzania shut its border with Kenya, thus cutting off the only land route for the lorries.

Kenya's new plan is for the exports to be sent through its own port of Mombasa to Dar-es-Salaam in Tanzania. There they could be loaded on to the Chinese-built Tazar railway, for carrying 1,500 miles further to the Copperbelt and Lusaka. The immediate snag is that Dar-es-Salaam, always chronically inefficient, is clogged up with 90,000 tonnes of general imports for Zambia, and 50,000 tons of backlogged copper.

Kaunda told his guests he would "speak to Julius". The surest way, in the OAU spirit, would be to open the border, even if only for the lorries. Otherwise, Zambia will probably have to go on eating South African butter.

Above the strife

Woman overheard in an East London café: "That shop steward who's moved in next door is a funny sort of bloke. He's one of those transcendental mediators."

Observer

FINANCIAL TIMES SURVEY

Wednesday May 3 1978

South Korea

Economically South Korea is booming, its rate of progress comparable with that of Japan some years ago. But there are shadows over the country's defence and foreign policies, and although President Park will be returned to power in December, his rule remains based on the suppression of opposition rather than the democratic support of his countrymen.

conomy olds he ey

y Douglas Ramsey

YTHING JAPAN can do, ıth Korea can do better. ıe or false? Three years ago rea's boast seemed absurdly se. To-day Asia hands are so sure. Few reckon the reans will catch up to the panese by the 1990s, and some this can never happen. Still, rea smacks of that bravado ne of intense rivalry with nearest capitalist neighbour, a reckless conviction t hard work, incentive and ication will turn this still-veloping country into a sperous, industrial consumer iety.

Any survey of South Korea 1978 must end up sounding pelessly like a paean to wth, growth and more wth. The country's GNP is wing at over 10 per cent. a ar, and in 1977 the gross ional product per capita topped $1,000. The export boom has been sustained through world recession and sporadic fits of protectionist fever in South Korea's principal overseas markets. In 1977 exports grew 30 per cent., spot on target at $10bn. for the year. In March industrial production was 25 per cent. up on a year ago, and the domestic construction industry was bulldozing its way through a near-doubling of construction approvals.

Perhaps the best illustration of this boom was the Government's decision in late winter to halt new public works spending until the second half of 1978 to ease the labour and materials shortages. And the prospect in 1978 is for many more new jobs than school-leavers, a slow decline in unemployment and a steady improvement in wages.

Miracle

Considering the economic miracle South Korea has wrought so far, few obstacles look insurmountable. But there are obstacles nonetheless not least for this nation of 37m. long accustomed to living under the military shadow of the United States and the economic shadow of Japan. Coming out from under those shadows will be difficult indeed, and plenty of other challenges face Korea. Here are several, but in no neat order of importance.

● **Defence.** The withdrawal of 32,000 American ground troops between 1978 and 1982 may fall behind schedule, but the United States is bent on turning over responsibility for South Korea's ground defence to the Koreans. With 600,000 soldiers on active duty, Korea looks prepared to take on that role but also needs to develop a countervailing defence industry to the one in North Korea. The five-year defence buildup plan will not be cheap, and may ultimately require that nearly 10 per cent. of GNP (7 per cent. at present) goes on defence. The challenge? Korea must build up its defence capability without inviting a northern attack. It must also do so without spending too much money which could otherwise be better spent on improving living conditions. Seoul's answer is to help defray the costs of producing armaments by building guns, etc. for foreign armies too. In this it is taking a page from Britain's and France's book, and the Americans are actively co-operating.

● **Foreign policy.** Closely linked to defence is Korea's ability to maintain good relations with the U.S. The Koreagate bribery scandal and differences over human rights have precipitated strains in the relationship which were bound to come anyway, simply because the dependent relationship could not last beyond the first sign of troop withdrawals. The Seoul Government has noticeably reined in the Korean Central Intelligence Agency operatives in the U.S., although the surveillance and harassment of anti-regime exiles now living in America has not altogether stopped.

A resumption of talks with North Korea may be the first real test of the South's ability to deal pragmatically with the American Government, and it may come sooner than most observers expect. It will determine how quickly the Seoul regime is willing to put its own diplomatic house in order. So far, both the U.S. and South Korea have balked at the thought of going into tripartite talks with the North, and the North has reciprocated in kind. Increasingly, Washington looks ready to discuss this path towards a peace treaty between North and South. Seoul is adamantly opposed, but may be inclined to sort out its relations with Pyongyang as a first step toward improving its links with Eastern Europe and, who knows, perhaps China and the Soviet Union. There is even idle talk in Seoul of the pros and cons in switching Korea's China recognition from Taiwan to Peking—the sort of talk which just did not come up a year ago.

● **The Japanese challenge.** The Koreans are trying desperately to get out from under their reliance on Japan for investment, technology and machinery. The yen's appreciation in 1977 against the dollar-pegged Korean won played havoc with Korea's import bill, which increased by a third. An array of measures have been taken to diversify the source of imports, but the level-headed men at the Ministry of Finance are reluctant to put up barriers to Japanese imports. As a result, Japan's trade surplus with Korea grew by $531m. to nearly $2bn.—an enormous gap compared with the surplus Japan ran with all nine EEC countries in the same period of $5.2bn.

Recently Seoul began to let Korean banks operating in Europe hand out subsidised loans for the export to Korea of European goods and services in order to attract Korean businessmen. Seoul has also cut the financing available to importers of Japanese machinery by discriminating against exporters within a 10-day standard navigation radius of Korea.

Imbalance

Neither these nor other measures against Japan are strong enough to correct the trade imbalance, but South Korea is obviously willing to discriminate (if surreptitiously) against Japanese goods and investment. The challenge will be to do so without irking the Japanese, who have provided much of the capital and most of the know-how on which Korean industry is based (steel, ships, etc.). Drawing this fine line will be especially difficult as Korean goods penetrate the Japanese market in Europe and America for declining sectors (for example, textiles) and manage to do what Japanese exports have done in the last decade or so—throw people out of work.

● **Politics.** President Park Chung Hee is guaranteed re-election in December for another six-year term after ruling Korea since 1953. But the vote is devoid of meaning. The 1972 constitution and subsequent emergency decrees give Mr. Park an autocratic birthright which has made for efficient management, but sordid politics. The parliamentary opposition toes the line and extracts some minor concessions from Government, but vocal opponents of the present system are detained, harassed or jailed. To be sure, Mr. Park might handily win an election if all restrictions on the opposition were lifted to-morrow: instead, 1978 will be a parody of free elections elsewhere when on May 18 Koreans vote for an electoral college which will unquestionably re-elect the President by December.

The challenge? Mr. Park's system works as long as it can deliver the goods, that is as long as living standards rise rapidly. It also hinges on Mr. Park himself, an impressive and modest leader for all his undemocratic sins. It is vital to Korea's future political stability that Mr. Park (a) gradually lift the restrictions on vocal opposition to the regime, and (b) prepare the ground for a return to real parliamentary government. He could start by releasing Mr Kim Dae Jung and the 100-200 other political prisoners under detention.

● **Poverty.** President Park's legitimacy is largely based on his ability to generate wealth, but a large cross-section of Koreans still earn subsistence wages. The population drift into urban centres has meant more widespread urban poverty despite the disproportionately high contribution made by factory workers to the country's growth. More and more an educated workforce is asking for its share of the spoils and in 1977 the Seoul Government began to seriously tackle the problem of wages by effectively adopting a minimum wage.

Still, Mr. Park is not out of the woods. In a rapidly expanding pie, huge amounts are being diverted to rural areas out of proportion to the increases in productivity in those areas or their contribution to GNP. In short, Korea must meet the challenge of dividing up the spoils fairly between the urban workforce and the 42 per cent. engaged in agriculture. From there, the country must ensure that wage and income disparities between blue and white-collar workers do not get too far out of line as they had done before 1976. Inevitably, President Park must also give workers a say, and that would require repeal of the existing ban on strikes.

Better

● **Energy.** South Korea has done better than most countries in recovering from the increase in its oil bill (from about $200m. in 1971 to $2bn. in 1977). But Seoul estimates that by 1986 it will need three times as much energy as it now uses, and the country is counting (perhaps too much) on nuclear power to generate 30 per cent. of those needs.

● **Inflation.** Although official statistics show 11 per cent. consumer price inflation for 1977, authorities recognise that the real increase in the cost of living was closer to 15 per cent. For now, Seoul has opted for a strong package of measures to contain inflation at last year's level in 1978 despite outside pressures which might cause Korea to lose its competitive edge in some export markets. At the same time, Korea must balance its fight against inflation with the growing need for selectivity in investment, that is, higher (inflationary) interest rates to ensure less speculative investment which may prove bad for the investor and bad for Korea.

● **Imports.** The challenge of finding new export opportunities pales in comparison to the real trading challenge facing Korea—how to liberalise imports. At a similar point in its development, Japan neglected the need to open up its market and the result has been a chronic imbalance in Japan's trade. Korea must learn from Japan's lessons, especially since it counts on open markets for selling its own products abroad. The economic planning board has plumped for liberalisation and other ministries now look intent on carrying it out. But the fight is not won yet: an entrenched bureaucracy stands to lose jobs, and protected industries are already squealing. If the liberalisation timetable goes without a hitch to 1982, Korea's market will be more open and competitive than Japan's is to-day.

Economic growth based on industrial success

SOUTH KOREA is an economy in bloom. Its gross national product has averaged 10 per cent. growth a year for the past decade, and in 1977 per capital GNP went from $700 to $864. The country's economic overlord, Deputy Prime Minister Nam Duck-Woo, is predicting a sustained high rate of growth in 1978 which for the first time will catapult per capita GNP above the $1,000 level.

Looking further ahead; the Korea Development Institute (KDI) in its excellent paper on the prospects for the Korean economy to 1991 suggests that by that year per capita GNP will have risen to $7,700 (or $3,900 at 1975 prices)—assuming the same pace of growth as Korea has achieved in recent years (10.3 per cent. in 1977).

Korean economists are uniformly too cautious in their predictions, and few would put too much emphasis on GNP figures. Indeed, considerable disparities still persist in income between Koreans, not least because the country is still undergoing the switch from rural to industrial society. Over 42 per cent. of the working population is engaged in agriculture, but the sector countributes 23.3 per cent. of GNP and is only expected to grow by 7 per cent. in 1978 (better than the 3.1 per cent. of last year). By contrast, mining and manufacturing will continue to account for 30 per cent. of GNP in 1978 while Mr. Nam's planners at the Economic Planning Board (EPB) anticipate growth of between 12 per cent. and 14 per cent. in this sector.

The importance of the external sector in GNP growth is indisputable. In 1977, for instance, South Korea did better than expected in its balance of payments. Exports scraped past the official target of $10bn. in 1977, and Korea ran its lowest trade deficit ($518m.) since the oil crisis despite a hefty increase in raw material and machinery imports. The current account, meantime, swung into surplus

BASIC STATISTICS

Area	38,022 square miles
Population (1976)	35.9m.
GNP (1977, preliminary)	$31.5bn.
Per capita	$864

TRADE (1976)

Imports	$8.4bn.
Exports	$7.8bn.
Imports from U.K.	£63.1m.
Exports to U.K.	£136m.

TRADE (1977)

Imports	$10.5bn.
Exports	$10bn.
Imports from U.K.	£75.8m.
Exports to U.K.	£179m.
Currency = Won	£1 = 883 won

(albeit only $32m. worth) because of much higher-than-expected invisible revenues from Korea's lucrative construction contracts in the Middle East.

As a result, the overall balance of payments improved to a surplus of $1.3bn. and Korea's foreign exchange reserves rose 45 per cent. to $4.3bn. at year's end. In this sense, the foreign sector proved a boon to domestic economic growth by making available extra funds for investment. Korea's current account earnings also helped offset the rising volume of debt servicing which rose to $1.4bn. for all debt over one-year maturity—as a result, the debt service ratio came down from 12.5 per cent. in 1975 to just over 10 per cent. in 1977. The outlook for 1978 is for a debt burden of $1.8bn. to be paid out of current revenues estimated at $17bn.

Korea's improved trade situation nevertheless became a small thorn in the side of domestic planners. In particular, the net increase in foreign assets of $1.3bn. was roughly equivalent to the net rise in money supply for the year. Thus, the foreign sector was chiefly responsible for runaway inflation in 1977 when planners hoped to control the growth of M2 at 25 per cent. a year—the EPB reckons the year-to-year increase was actually 38 per cent. and the end-year rise was 44 per cent. In turn, inflation got out of control—the consumer price index rose by 11 per cent., although economists reckons that the real rate of inflation was substantially higher (perhaps 15 per cent.).

Excess liquidity and inflation, moreover, threaten the competitive edge enjoyed by Korean exports. Since the Korean won is pegged at 484 to the U.S. dollar, it has effectively been devalued by 25 per cent. in the past year against the Japanese yen, thereby improving its edge on Japanese exports in third markets. However, Japanese manufacturers now contend with about 5 per cent. inflation a year, a third of Korea's present rate. So many of the gains to be had from the dollar (and won's) devaluation are frittered away by inflation. Moreover, some analysts say the rest of Korea's export edge is being undermined by the consequent increase in import prices. After all, Korea still depends on Japan for more than 35 per cent. of its imports, and the import bill from Japan went from $3bn. in 1976 to $3.9bn. in 1977. On the other hand, Korea only managed to sell $300m. more to Japan last year, so it is a long way from offsetting the negative impact of the yen's upvaluation against the won.

Distress

The trade implications of rekindling inflation are a major cause of distress at the Ministry of Finance and the EPB, and not surprisingly both are acting harshly to keep prices under control. The target for 1978 is 10 per cent., but it already looks unlikely. In January-to-March, the consumer price index rose by 6.4 per cent. because of Korea's policy of passing on all major price increases to the consumer—regardless of the political consequences. In particular, oil prices were raised between 3 per cent. and 5 per cent., and the price of coal was put up 33 per cent. in late December. Since coal represents 30 per cent. of all energy consumption, and virtually 100 per cent. of household fuel for heating and cooking, the increase accounts for the lion's share of the higher cost of living for most Korean families.

According to Mr. Kim Jae-Ik, director of the Planning Bureau at the EPB, the attack on inflation in 1978 will be three-pronged. If it works, there will only be a "slight discrepancy" from the 10 per cent. target set by the EPB. The three prongs are:

- Import liberalisation. In April, Seoul decided to step up its programme to liberalise some sectors still protected by quota ceilings on imports. Three sets of measures in 1977 are estimated to have produced $500m. in additional imports: the latest package may do likewise. The aim is to bring down the domestic price level by letting imports undercut inefficient domestic producers.
- Foreign assets. South Korea will strictly limit the increase in net foreign assets in 1978 by running a current account deficit of between $100m. and $200m. To offset increased invisible earnings, the EPB has adjusted its trade deficit estimate for 1978 upwards from $700m. to $1.1bn. Again, the main component of the "worsened" trade position will be a hefty increase in imports from $10.5bn. in 1977 to about $13.85bn. in 1978. In so doing, Korea can hope to limit the increase in net foreign assets to $700m. this year—half the 1977 level.
- Subsidies. Although Seoul strictly budgets to balance its books, its subsidies for rice production are an eyesore. The grain stabilisation fund is separate from the yearly budget, and half the deficit in the fund comes from rise price supports which, in turn, keep rice prices at two to three times the world level. The policy, meant to stimulate production, has resulted in over-production: domestic rice supply exceeded consumption by 10 per cent. in 1977, and exports are out of the question because Korean prices are prohibitive. Korea has been building up rice stocks for three years, but now there are moves to reduce rice price supports to (a) cut the deficit, and (b) stimulate production of other foodstuffs (notably vegetables and cattle).

Some modest efforts will be made this year to coax some rice farmers out of rice, and the EPB would unofficially like to see a freezing of support prices to at least prevent any further inflation on grain account. Still, Government is left with paying out subsidies for stockpiling, and this will further add to the growth of money supply in 1978. Says Mr. Kim: "We may have to continue the subsidies until we find other instruments for efficiently distributing wealth between the urban and rural sectors."

Wage push in some sectors would indicate that South Korea is heading for a full employment economy sometime around 1985. More imminently, Korean industry must arbsor osome 400,000 school leavers a year between now and then. The first evidence is that many more jobs will become available than new job entrants. In 1977, the number of employed rose by 415,000 and the rate of unemployment fell accordingly. In 1978, according to estimates by the EPB, the number of employed persons in the economy will go from 13m. to to about 13.5m.—suggesting a further decline in the jobless rate (from 3.9 per cent. in 1976 to 3.7 per cent.).

Widespread

In fact, the employment consequences of rapid economic growth are much more widespread than the bare statistics reveal. In particular, the drift away from rural occupations has meant a significant increase in the number of young people aspiring to salaried jobs. Social workers report a steady flow of young women from the farm into small manufacturing activities which, although low-paid, provide income able to sustain on average 1.7 person. As a result, other family members follow and find jobs in the wage economy. Economists reckon the drift has been acute in the past 12 months, although statistics are not yet available to confirm this perception.

As wages increase and more people are drawn into the wage economy, there will be substantial changes, too, in spending But for now, Korea will continue to save a large portion of disposable income. Between 1972 and 1977 the total annual savings of individuals rose 16 times to $5.5bn. In terms of GNP it is estimated that domestic savings will count for 26.4 per cent. of GNP in 1978 (up from 24.8 per cent. last year) at the expense of total consumption. Yet there are signs, especially in the retail sector, of increased spending in urban areas: retail sales in Seoul in the 12 months to last October rose by 26.7 per cent., or faster than for the same periods in the past three years. There have been no detectable signs of change, however, in the propensity to save in Korea, still put at around 33 per cent.

Savings and consumption patterns will ultimately be reflected in the Korean Government's fiscal and monetary policies, and these remain two areas where Seoul technocrate have proved less imaginative than on foreign borrowing, payments, wages and (unsuccessfully) prices. The government is seeking to soften the tax burden on middle-income earners, but it must consistently reckon on about 35 per cent. ($2.6bn.) of the year's budget to spend on defence. So there is little room to manoeuvre and there is no desire to put up corporati[on] taxes or taxes on upper-echel[on] personal income for fear th[at] it may dissuade investment ac[ti]vity. So the result is a wait-an[d]-see attitude while continuing [to] levy too-heavy taxes on th[e] poorer segments of Kore[a's] working society. The gover[n]ment has been prompted [to take] some action aimed at alleviati[ng] this burden on low-income earn[ers], but the opposition parti[es] remain too impotent to pre[ss] for the full-scale reform of ta[x] legislation which would [be] needed to make the syste[m] more equitable.

Likewise, there are stron[g] forces at work against chan[g]ing monetary policy. The inte[r]est rate structure is kept arti[fi]cially low as a stimulus to i[n]vestment, and many bankers r[e]sent not being able to char[ge] "real" rates which are anyw[ay] prevelent on the "curb" mar[]ket. The lending rate on th[e] secondary market is typical[ly] 25 per cent. per annum co[m]pared with 14 per cent. whi[le] commercial banks must char[ge] their customers. Some planne[rs] would like to see a revision [of] rates, but that risks being infl[a]tionary. On the other han[d], higher rates may prevent som[e] investors from going into u[n]wise investments simply b[e]cause easy money is availabl[e]. By this summer the Bank [of] Korea and its new governor w[ill] have to take a hard new lo[ok] at interest rates, and an upwa[rd] revision may ensue if Korea [is] to prevent the boom from ov[er]heating.

Douglas Rams[ay]

Foreign policy

"SOUTH KOREAN officials going abroad sound like rabid Ku Klux Klan anti-Communists," said a top aide to South Korea's President Chung Hee Park. "As far as the Korean issue is concerned, there is a monolithic Communist bloc. I don't want to look like an anachronism, yet the situation is an anachronism."

South Korea's whole approach to the outside world is deeply affected by both fear of and brotherly attraction towards the 16m. Koreans north of the 38th parallel. Foreign diplomats and South Korean dissidents agree that virtually all South Korea's highly literate population shares much of the Government's anti-Communism and worry. Security in one form or another is the base of Korea's foreign policies.

Thus South Korea's foreign policy is largely an old-fashioned cold war style build-up of military and diplomatic strength, complete with overtures towards every conceivable potential friend and towards some enemies that are seen as potential neutrals, such as the Soviet Union. It has also included some dirty tricks against those who seem intractable, with dissident Koreans abroad, the most common victims.

South Korea seeks a stable status quo, at least until it can hope for reunification of Korea on its own terms. Seoul officials claim they need continued outside military support because in any possible conflict China and Russia would have to support Pyongyang as they were forced to support North Vietnam.

At least until recently the South maintained weaker armed forces than the North, though American forces made up the difference. A recent study by the American CIA reported that until last year the North, with greater mineral and hydro-electric resources, but only half the population of the South, maintained a higher GNP per capita.

Yet although South Koreans will openly talk about a "German solution" to the divi[sion] of North and South, Korea [is] not Germany. Korea was fi[rst] unified in 676 A.D., long befo[re] England or any other mode[rn] country in Europe. Korea h[as] one language, one culture a[nd] no major minority group. "W[e] are terribly conscious of o[ur] homogeneity," said the Kore[an] official.

Thus any regime that is ev[er] likely to control any part [of] Korea must make reunificati[on] a top priority, at least official[ly].

In the 1960s the South refus[ed] even to have contracts with t[he] "treacherous" North. No[w], with greater relative streng[th], the South charges it is the No[rth] that refuses to talk. "Supp

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SOUTH KOREA III

Political questions answered in advance

THE YEAR 1978 is election year in Korea, but it hardly matters. There are no campaign posters or stirring speeches to fire the electorate. A series of complicated election procedures between June and December will inexorably culminate in the re-election of President Park Chung Hee, and the parliamentary opposition is still squabbling about whether to put forward a candidate to stand against the indomitable Mr. Park for the Presidency. Of course, the opposition's indecision will make little difference to the final outcome of the elections, since critics correctly assert that the 1972 constitution established an electoral system rigged in favour of the incumbent President and his political supporters.

None of which makes politics in South Korea any less interesting. In fact, there are three opposition parties and a reserve of extra-parliamentary opposition with its foundations among religious organisations, teachers and students. Indeed, the real test of President Park's strength in 1978 will not be at the polls but in his response to vocal opposition from his critics. Will he silence them with jail terms, or does President Park feel strong enough to let up on his severe treatment of the dissidents?

Diplomatic observers in Seoul put the number of political "prisoners" in South Korea at between 100 and 200, although all but one of the most celebrated detainees (after the March, 1976 Myongdong declaration) had been released by January. The exception is Mr. Kim Dae Jung, former opposition leader and the man who narrowly missed unseating President Park in the last "free" election in 1971.

In February Mr. Kim was transferred from a southern jail to detention in a Seoul hospital ward, and there have been repeated rumours of his impending release. The decision rests with President Park, and the release may be made easier after Mr. Kim's resignation from the New Democratic Party (NDP) in April in apparent disgust at the Party's pliant attitude toward the Government. It is a well known fact in opposition circles that Mr. Kim dislikes the new NDP leader, Mr. Lee Chul Seung, practically as much as he dislikes President Park. Thus, the President may feel less threatened by a free Mr. Kim in an election year now that he has taken his distance from the parliamentary opposition. Still, President Park has given no open indication of how he will deal with Mr. Kim's release (he is serving a five-year term).

The election itself is a bit of fraud since the outcome will cause few chinks in the President's autocratic armour (although his supporters say that a "strong" showing may let him rescind the emergency decrees which form the legal basis of what they see as "necessary" civil rights violations). The electoral process, nevertheless, deserves explanation since it produces a rare mix of parliamentary government and autocratic rule.

Polls

First, in May or June (the exact date is not yet fixed) all voters go to the polls to elect 2,583 members of the National Conference for Unification (NCU). Set up in 1972, the NCU is an "apolitical" body and no member of the National Assembly may stand for election to the NCU. Electioneering, moreover, is not supposed to be done along party-political lines. The NCU, once elected, has three functions:

1. To act as an electoral college in picking the President.

2. To endorse (or reject) nominations of the President for members of Yujeong-Hoe, another "apolitical" group which forms one-third of the National Assembly.

3. To approve constitutional Bills passed by the National Assembly.

Then, between September and February voters must elect members of the National Assembly. In fact, only two-thirds of the seats are up for grabs since the President nominates members for the third of the seats taken by the Yujeong-Hoe. There are 219 Assembly seats, and 73 designated for the Yujeong-Hoe, although in this election total seats will be increased to 231 and the "apolitical" group's membership to 77 (one from each of 77 electoral districts). The current strength of political parties in the National Assembly (with five seats vacant) is: 68 seats for President Park's own Democratic Republic Party (DRP); 55 seats for the opposition New Democratic Party (NDP); 3 seats for the Democratic Unification Party (DUP), and 15 independent seats. A third opposition party, Mr. Kim Chul's United Socialists, will contest the next elections but at present has no Assembly seats. (Both the United Socialists and the DUP are offshoots from the NDP.)

Third, by the end of December the National Conference for Unification must elect the President to a six-year term of office. Mr. Park has said he will seek re-election, and the opposition NDP is not keen to put up an opposition candidate. The matter has already split the parliamentary party between the mainline moderates, led by party leader Mr. Lee Chul Seung, and the activist "Yatt'u" faction, which claims perhaps a dozen of the NDP's 55 members of parliament and wants to put forward a strong opposition candidate to oppose President Park. The Yatt'u faction claims support for its position from a broad spectrum of party members, other opposition parties and the extra-parliamentary opposition, which is spoiling for a fight for the presidency (despite the NDP's failure in the previous elections in 1967 when Mr. Yun Po-Sun stood against President Park and in 1971 when Mr. Kim Dae Jung came close to beating him with 45 per cent. of the popular vote).

The abundance of newspaper reporting on the squabbles within the opposition camp is the reverse of disclosure about activities (a) inside the Government Party, and (b) inside the extra-parliamentary opposition. An observer is inclined to get the impression that nothing is actually happening in either camp, but that is obviously at least half-wrong. The Government Party has all the money and power it needs to perpetuate its votes at election-time, so there are no visible signs of in-fighting. But the extra-parliamentary opposition, however small, is still very active.

The release of the Myongdong defendants (except Mr. Kim Dae Jung) has taken some of the heat off the Government, although dissidents regularly describe to foreign pressmen the frequent cases of overnight detention without criminal charges and the occasional periods of house arrest imposed on the more vocal members of the extra-parliamentary opposition. However, in March both the Korean National Council of Churches (KNCC) and many prominent dissidents issued statements not dissimilar to the Myongdong declaration which landed its authors in jail in March, 1976, yet this time the Government and KCIA were not prompted into arresting the dissidents. Then in April, the usual round of student unrest at universities never got off the ground, not least because of the government's deft handling of holiday and exam schedules, which kept students too busy to protest. (Students are becoming increasingly aware, too, of the bright job prospects for college-leavers afforded by Korea's economic boom, and the incentive to get that diploma is much greater than it was two—much less six—years ago.)

The emphasis of attacks on President Park, in turn, has switched from his autocratic treatment of political dissidents in the church and intelligentsia towards the plight of the urban poor (especially young women). The KNCC and the protestant Urban Industrial Mission (UIM) are lobbying for more workers' rights to protest against poor working and living conditions. Strikes in South Korea are banned, and the Federation of Korean Trade Unions is unabashedly in co-operation with government (and management) to prevent them in return for steadily rising wages. Wages have been rising but some labour protests have landed workers in jail or out of work.

Vocal opponents of the Park regime want him to ease up on the right to strike, and it may be the keynote of efforts by Korea's extra - parliamentary opposition in 1978 to get out the vote against the ruling party.

D.R.

Foreign

CONTINUED FROM PREVIOUS PAGE

at the margin of military strength was on our side. Then perhaps they will come to the conference table," said the presidential aide.

American policy has also sought to maintain the status quo, but Americans worry too that South Korea might attempt to conquer the North. The semi-official American view was summed up by a U.S. official: "The Americans are in the North East Asia because we have our own very important security considerations and our own very important economic considerations. Policies designed to continue stability are in our interest."

The problem with this policy is that maintaining the stability involves threatening to go to war if North Korea breaks the peace, and it is virtually impossible to imagine any American interest so vital that it would justify the cost that such a war would entail.

As long as Seoul needs Washington's military aid, a key objective of Korean foreign policy is to encourage Washington to remain friendly and helpful.

Compared to the Japanese colonizers up to 1945, the Americans have been extremely benign, and there are fw places in the world to-day where Americans are as welcome as in South Korea. But at the same time the Koreans resent their dependence on Washington and dislike acting like a satellite. A combination of bungling attempts to influence Washington and inability to understand where they went wrong has reduced Seoul-Washington relations to a very low ebb.

Koreans read American wire service news reports. They know how much corruption is routinely reported in the U.S. Congress. So they wonder why the activities of Mr. Tong Sun Park, the rice dealer who is charged with bribing several congressmen, were singled out as unusual.

"The trouble with the Koreans in Washington is that they did not sign up for a seminar in lobbying conducted by the Israelis," said a diplomat in Seoul. Recently the Koreans have erportedly hired one of New York's top public relations firms. The PR men will have a lot to teach their clients.

Sources in Seoul argue that Tong Sun Park was primarily a private wheeler-dealer. Mr. Park is the scion of one of Korea's richest families, and was making additional fortunes out of rice shipments to Korea. One diplomat noted that in the cases where evidence of bribery was strongest, the recipients were congressmen connected with U.S. rice export programmes.

Diplomats take the evils of the Korean Central Intelligence Agency much more seriously than they take the Tong Sun Park scandal. But after several shake-ups in the KCIA, its international intimidation has apparently been sharply scaled down, though not eliminated.

More impressive South Korean diplomatic efforts in recent years have been directed toward the Third World. Seoul's attention was forced to developing countries by the oil crisis and by an aggressive and reasonably successful North Korean diplomatic offensive.

South Korea was omitted from the Arab countries' friendly nations list at the time of the oil crisis and so faced an oil boycott. Meanwhile, North Korea was admitted to the Conference of Non-Aligned Nations, and Third World countries began supporting moves against South Korea in the UN. This was serious because even to-day U.S. troops in South Korea remain under the UN flag.

The North Koreans came close to passing a General Assembly resolution favouring their position in 1974-75, but recently Pyongyang's support has weakened. South Korean construction contractors have won friends in the Middle East, more conservative regimes have risen to power in India and several other developing countries, and the South has clearly outperformed the North economically, giving it greater prestige.

Seoul's two crucial multilateral goals now are entrance into the Non-Aligned Conference along with the North, and entrance into the UN whether the North wants entrance or not. The North has opposed separate UN entrance of either Korea on the grounds that it would perpetuate division.

If Seoul accomplishes either goal it will clearly show that Third World countries are moving away from automatic opposition to capitalism.

Robert Wood

Defending the future

WITH ONE of the largest standing armies in the world. South Korea must devote nearly 7 per cent. of its gross national product and some 35 per cent. of public spending to defence in 1978. Officials willingly proffer the figure of $2.6bn. for defence this year, but the breakdown is top secret. Simple arithmetic shows that the country is spending an incredible $4,000 for every one of the 600,000 soldiers it keeps under arms. Taken out of context, that spending may look disproportionately high for a developing economy.

But most western defence analysts reckon that South Korea on its own is still no match for North Korea, which has nearly as many men under arms but spends over $6bn. on defence (or $10,000 per soldier). It is the presence of a UN command, and specifically the American military umbrella, which has kept a balance between north and south since 1953 and until recently, it was not clear just how quickly the American Government would pursue its stated policy of reducing the U.S. troop presence in South Korea. What has since emerged, however, is a picture of much greater caution on the American side than depicted in early statements by President Carter.

The troop withdrawal plan, put simply, was to have meant withdrawing 6,000 U.S. military personnel by the end of 1978 and phasing out the remaining 26,000 ground troops in instalments over the following four years. In late April, faced with growing Congressional opposition to the pullback, President Carter decided to scale down the 1978 withdrawal by putting off the departure of two combat battalions (1,600 soldiers) until 1979.

The view in Seoul is that America's internal debate (between Carter and Congress) on the wisdom of troop withdrawals will drag out the reduction of U.S. ground forces long enough to let South Korea set in place a strong deterrent of its own to aggression from the North. Meantime, although the Seoul Government is openly hostile to a resumption of talks with the North (especially with the Americans in attendance), President Park Chung Hee may see it as another way to buy time in order to improve the country's defences.

The American Congress looks inclined to block further withdrawals after 1978 until Washington can coax Seoul (and Pyongyang) into a North-South peace treaty. Since the dialogue between the two Koreas has been in limbo for several years, the treaty (and with it, perhaps, the final departure of all U.S. ground troops) could be several years off.

Even if the full 32,000 ground troops are sent home over five years, as Mr. Carter originally planned, the Seoul Government no longer sees the move as a "sellout" (a word bandied about just a year ago). There are indications that the U.S. will greatly boost its air support presence on the peninsula with the deployment of F-15 Eagle fighters, and there is no talk of dumping the mutual security pact by which the U.S. "guarantees" South Korea's security. Of course, the chances of American ground troops being pulled into a new Korean conflict are fewer if they are withdrawn, but then nothing in the security treaty (as it stands) commits the U.S. to sending troops to Korea's defence anyway.

Pragmatic

If the Americans now look less precipitate about pulling out ground troops from South Korea, then the Korean attitude towards the U.S. military connection has also become more pragmatic in the year or so since President Carter took office. The initial response in Seoul was that Korea would forge ahead on its own to build up a defence industry capable of producing everything but aircraft and nuclear weapons. The industry will not come that easy: and although Korean officials refuse to talk openly about five-year defence build-up plans except in the vaguest terms it is widely acknowledged that the country will continue to depend primarily on American goodwill for defence technology.

The goodwill does exist, whatever the political tensions between the two allies. In the short run, South Korea must hope that Congress accepts the Carter proposal to gradually hand over $800m. worth of military equipment used by the U.S. ground troops to be withdrawn. Korea must also hope that the U.S. will continue to turn a blind eye to the lucrative sale to third countries of some military equipment made in Korea but derived from U.S.-licensed technology. In particular sources in Seoul say that on two counts the Koreans have unilaterally broken off licensing agreements and sold U.S.-designed equipment overseas. One instance is the sale of Tacoma Boat-designed patrol boats to the Indonesian Navy after disbanding the joint Korean venture with the Seattle company which used to produce the patrol boats for the Korean Navy at a southern Korean shipyard.

Another case of "pirate" arms sales has been the known sales of M-16 rifles (licensed by Colt of the U.S.). To third countries after Korean statements to the American side that enough changes had been made in the original design for it no longer to be considered the M-16 as licensed by Colt. The authorities in Washington are so far not upset with the moves and have even granted permission for some small doses of arms sales abroad of U.S.-licensed 81mm. mortars from its own technology. South Korea also manages to sell abroad a full range of ammunition and communications equipment from platoon to battalion level.

The most advanced equipment now being built in South Korea to helicopters and 155mm artillery. Still, the defence industry in South Korea remains small beer compared with that of North Korea, and the country still depends on imports from the U.S. for its more sophisticated and heavy armament. Although President Park got mileage in April out of a highly-publicised visit to a tank factory opened in southern Korea, it remains a fact that the factory is simply used to build some modern equipment on the Korea Army's U.S.-built M-48 tanks. Analysts reckon that South Korea is not far off from building a tank from scratch at this and other factories, but first it must negotiate for the technology. U.S. defence contractors will be in the forefront, but it is also known that South Korea has approached Mitsubishi Heavy Industries in Japan about the designs of its Type 74 tank (although Mitsubishi's hands are tied by the Japanese ban on arms exports), and the German Leopard tank may also be in the running.

Gamut

The whole gamut of military vehicles will eventually be produced in South Korea. A company such as Daewoo Industrial boasts of being able to deliver military trucks overseas in its "military equipment" catalogue, and any number of foreign makers are attempting to sell their goods in Korea. One candidate, Britain's GKN, hopes to export its armoured personnel carrier, although defence analysts reckon Korea will not rush to import any military vehicles without a simultaneous agreement to produce under licence inside Korea. This may cause problems for foreign arms exporters, and not just the U.S. and Britain, because the Koreans will presumably also insist on rights to market Korea-made vehicles in third markets to take advantage of economies of scale.

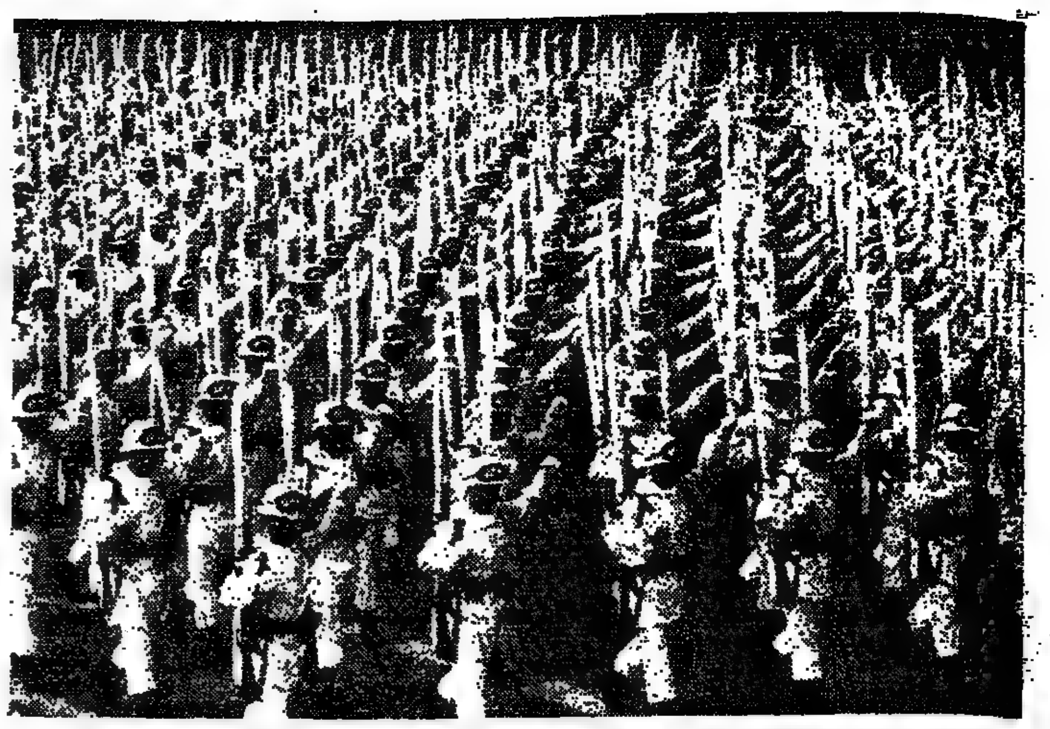
So far the Koreans have stepped only gingerly into non-U.S. arms markets. The French have sold a naval weapons system and half a dozen Allouette helicopters. One source says other deliveries have taken place from Europe, but none from Britain (yet). There are two main reasons for this. First, the entire South Korean industry is geared to making things which are compatible with American military personnel and equipment. "It is a logistics problem," one U.S. source says. This severely restricts the sort of items which can be operated independently from the arms and communications infrastructure imposed by the U.S. presence in Korea. Second, for now the Americans are the most forthcoming on military export credit.

Five years ago, when Korea was still receiving weapons in the form of grants from the U.S., it had hardly any use for credits. Grant aid stopped in 1975, and in 1978 the U.S. Congress appropriated $275m. in export credit at concessional terms for sales to South Korea. The actual amount of military sales by the U.S. to South Korea is kept under close wraps, but Seoul is believed to be interested in some fairly advanced missiles and radar equipment from the likes of Lockheed and Hughes Aircraft. President Carter has asked Congress for a similar military sales credit allotment in fiscal 1979, and might raise the stakes as high as allowing the export of some aircraft (notably the F-5) but probably ruling out the delivery of the most advanced fighters into Korean hands (the F-15, for instance).

In short, South Korea's defence industry is coming of age and Seoul is acutely aware of how important a role American technology will play in speeding up the setting-in-place of a viable heavy armaments industry to counter that of North Korea. The defence build-up plan is for five years, but it will take longer than that (although the Government is giving top priority in foreign exchange lending to companies ready to produce military items endorsed in the unpublished plan).

The five-year plan was clearly timed to coincide with the phasing out of the American ground troop presence in South Korea, so it is fair to assume that Korean defence planners feel a certain sense of relief now that the American withdrawal looks like taking longer than just five years. But the Korean objective is to develop an indigenous defence industry able to support the entire southern defence effort (with the exception of America's air and nuclear umbrella). In turn, many analysts expect it will lead the Koreans into a strong race with traditional arms exporters for weapons markets in other developing countries. The plethora of military catalogues from Korea's industrial conglomerates would indicate that the arms export industry is already in place. The sophistication of South Korea's military inventory is now only a question of time and degree.

D.R.



Locally armed Alpine troops in marchpast formation in the South Korean Armed Forces Day parade.

Aiming for full employment

WAGE PUSH and labour shortages are rarely present in developing economies, and South Korea (with 42 per cent. of its working population in the rural sector) might have been no exception. Yet in Korea last year urban wage earners saw their average pay rise by 22 per cent., and according to the Korea Productivity Center pay increases in 1978 may average between 21 and 25 per cent. And although blue-collar workers have seen their wages rise less quickly over the past five years than the pay of white-collar employees or managers, "Sweatshop" labour in the small electronics and textile factories of the Yong Dong Po district across the Han River from downtown Seoul have received pay rises of over 20 per cent. for the past two years running. In some cases, corporate profits may have doubled or trebled, but the fact remains that the income of workers (men and women) has shot up noticeably. So has their cost of living (by 17 per cent. in 1977), but few social workers in urban industrial zones would deny that South Korean workers are far better off to-day than they were two years ago. And the average blue-collar worker now earns $120 a month compared with $43 a month in 1973.

Shortage

The South Korean boom has, in fact, created a manpower shortage in some key industries, and many economists say the single biggest factor was the overseas construction bonanza. Until early 1977 construction workers at sites in Saudi Arabia, Iran and other Middle East countries received the relatively low wages which let Korean companies underbid European or Japanese competition. No longer. Now the Seoul Government enforces a strict minimum on overseas construction pay of $480 a month. In practice the big contractors pay $500 or more, and provide services and transportation worth that amount again. The basic salary itself is about twice the level of pay (without housing, food or other fringe benefits) inside Korea for similar jobs, so it has meant a major strain on the domestic construction market for jobs.

Construction workers were already among the highest paid in the Korean economy at $250 a month, but saw their wages rise by 25 per cent. last year, according to detailed figures recently published by the Office of Labour Affairs. Those are average wages in the construction sector, and include pay for engineers and managers. But the blue-collar average is not far below, and the average is fast approaching the best-paid sector in the South Korean economy (utilities) in which the average wage rose by a

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Borrowing abroad

SOUTH KOREA *is coming of* age in international capital markets. Its debt *servicing* ratio is just over 10 per cent. and the *country* can now borrow at lower rates than most other developing countries and even lower than some industrialised countries. Significantly, for the first time there is talk of South Korean private corporations raising funds abroad through unguaranteed syndicated loans, or even bond issues. Few details are available but the powerful Samsung Group is *seriously* discussing with bankers about a *Euromarket borrowing without* a bank guarantee by the end of 1978, and *the Daewoo Group is putting its books in order (the* first South Korean company to consolidated its accounts) as a first step to raising funds publicly in the Euromarket.

Hyundai Corporation is another potential international force, and observers do not rule out a first South Korean listing on an overseas stock exchange in the foreseeable future. Thus, Korea *is emerging as one of* the most viable international *borrowers and for the first time* ever the Government in Seoul *has* been forced to put strict controls on the amount of *foreign* cash flowing into the economy.

The flow of foreign funds in 1977, in fact, was embarrassingly high and caused a worsening of inflation. By running a small current account surplus and also borrowing heavily, the net *increase in foreign* assets in the system increased by $1.6bn.—an amount equivalent to the net 39 per cent. rise in money supply for the year. In 1978, planners at the Economic Planning Bureau hope to run a sufficient current account deficit to help offset the inflow of foreign funds and keep the net increase to a modest level (fearful that further inflationary pressures from foreign funds will price some of South Korea's exports out of foreign markets).

*South Korea had a total out*standing external debt at the *end of 1977 of about $12bn.*, more than double what it was *three years earlier.* However, the burden of servicing debt *(principal plus interest)* doubled for loans with a mat*urity of over* 12 months between 1975 and 1977: last year, the *burden on medium and long*-term debt ($9bn.) came to $1.4bn. *compared with $734m.* two years earlier. Yet despite South Korea's *mushrooming* external debt and servicing *burden, it has rapidly become* one of the most sought-after *borrowers on the international* financial market place. In the same period of two or three years, foreign banks have come round to lending to South Korea at interest rates and maturities which are better than on most loans to other advanced developing nations. Why the change of heart?

Theoretically there is no need *for foreign borrowing. But the* inflow brings with it technology, management *know-how and so* on. In short South Korea's financial position is more sound than it has ever been. As a result, Mr. Kim recently signalled to the International Monetary Fund (IMF) his desire to see Korea's quota increase more steeply than the overall increase planned for this year (of 35 per cent.). Hence, on May 1, South Korea's contribution to the IMF coffers was doubled. "This reflects our growth and the capacity of our country to borrow," says Mr. Kim, and it also boosts Seoul's voting rights in the organisation from 0.32 per cent. to 0.44 per cent.

But it does not mean that South Korea intends to make increased use of IMF credit facilities, according to the Minister. "We negotiated a standby credit with the IMF for 1977 but never had to draw on it. We would like to roll over that credit for 1978, not *because we plan on using it but* because it underlines the Government's intent to have more stringent self-discipline and also get the IMF's view of our policies."

Review

Mr. Kim and his able assistant Minister for International Finance, Mr. I. Y. Chung, thus embarked on a thorough review of South Korea's borrowing plan. The first concrete step came in early April when Seoul prepaid the $114m. outstanding on the $200m. balance-of-payments loan from an American banking syndicate in early 1975. Weeks before the fall of Saigon, when U.S. bankers feared for Korea's military security, Mr. Kim clinched the $200m. deal after personally convincing Mr. Rockefeller (of Chase Manhattan), Mr. Clausen (Bank of America) and Mr. Wriston (Citibank) to take a chance. The terms were nonetheless harsh. A five-year maturity at 2 points over the London inter-bank offering rate (Libor), and the banks forced Seoul to borrow in the name of the Central Bank. It was the first and last time. By April 10 this year when Seoul prepaid the *outstanding* amount, South Korea's borrowing chips were *sizeable*. With those chips, Mr. Kim authorised Citibank, Chase Manhattan and Bankers Trust to arrange a new $300m. syndicated loan in Hong Kong which would carry the easiest terms ever paid by a non-oil producing developing country (except Taiwan): the 10-year loan *carries only ⅞ of a per cent.* over LIBOR. Moreover, it will go 50:50 to the Korea Development Bank (KDB) and Korea Exchange Bank (KEB) but will not carry a specific Government guarantee from the Central Bank. So although there is an implicit state guarantee since both KDB and KEB are Government lending *institutions, the new loan sets* a precedent. Despite the easy *terms, moreover, international* bankers have flocked to lend, and oversubscribed the $300m. loan by at least $100m.

Seoul now seems in a position to make such demands. Already last February the Finance Ministry pressed Citibank not to insist on a Government guarantee for the $100m. borrowing by the Pohang Iron and Steel Company. The loan was then the cheapest ever by a Korean international borrower (at 13/85 over LIBOR) but the absence of a guarantee was an important precedent (even though Pohang is a State-controlled company owned 24.7 per cent. by Government, 45.9 per cent. by the KDP and the remainder by commercial banks and other private interests).

The $300m. raised in Hong Kong will go to help finance machinery imports, primarily for heavy and chemical industries, but the country's booming foreign currency holdings are also being put to good use in paying back a large portion of short-term debt as well as longer ones at harsher rates. The Finance Minister says, however, that it will not greatly affect the total level of new loan commitments by Korean borrowers in 1978: these are targeted at $3bn. In *January* to March, only 12.3 per cent. of the total had been committed ($369.4m.) by foreign lenders.

Smaller

However, the new loan is replacing a number of planned *smaller borrowings later in the* year and Seoul has had to revise *upwards its estimate of* total incoming foreign loans in *1978 (arrivals rather than com*mitment basis) from $1.6bn. to $2bn. (The sum includes expected direct foreign investment in Korea of about $80m. in 1978.) Despite the revision, Government authorities hope they will be able to keep the net increase in foreign assets in the South Korean banking system to a very modest level.

South Korea's new borrowing posture abroad will naturally be reflected in the cost of foreign funds to Korean companies inside South Korea, and most foreign bankers expect an across-the-board cut in lending rates of ¼ per cent. in May or June. The same foreign bankers see huge lending potential in the South Korean market (where companies on the stock *market are averaging dividends* of over 20 per cent. a year) but have had their hands tied by the relatively low $200m. ceiling on their foreign currency lending in 1978. Joint venture merchant banks have a ceiling of $100m. and the remainder of foreign lending to industry inside South Korea will be through KDB, KEB, other Government institutions and direct funding abroad of $300m. for the utility, Korea Electric (KECO). The ceilings are not *absolutely fixed, because foreign* branches may exceed their *individual ceilings* by up to 50 per cent. if the increment is lent without a Korean bank guarantee, and since these days the Finance Ministry has instructed South Korean banks to refrain from giving guarantees for further proof of Korean industry's "bankability," foreign branches and the merchant banks can together expect to lend locally up to $450m.

Mr. Kim Woun-Gie, Governor *of the Korea Development Bank*, expects to hive off most of the KDB's *portion of the recent* Hong Kong loan before the end *of March since applications for* foreign cash to the KDB (which *mainly finances manufacturing* industry) are expected to run at two or three times of the level of cash available. A similar *situation arose in January* when the KDB disposed of the *equivalent of* Y10bn. *raised by* a KDB bond issue on the Tokyo yen-denominated market—the first such raising by a South *Korean institution, and certainly* not the last.

D.R.

Employment

CONTINUED FROM PREVIOUS PAGE

slower 11 per cent. to $325 a month.

A survey made in March by the Korean Chamber of Commerce and Industry confirmed what many private companies suspected in 1977, that is, that a serious shortage existed in several skilled job sectors. Over 1,000 compaines were polled to determine their ability to find adequate manpower, and over 20 per cent. of the companies indicated that they could not find enough qualified personnel in 1977. The figure compares with only 16 per cent. two years earlier. Certainly, the Government is worried about the future supply of skilled workers and technicians and has substantially increased spending on vocational centres, which will be dotted arond the country to facilitate *the drift of talented manpower* away from the farm and into skilled jobs.

Statistics

The Office of Labour Affairs produces ample statistics on pay conditions in South Korean companies, but they do not necessarily reflect the conditions of all the country's employed. In 1977 South Korea's population was 36.4m., and of these some 13.4m. are the country's "economically active" population. In turn, over 500,000 of *the labour force are unemployed* (3.8 per cent. at the end of 1977), and employment in agriculture, fisheries and forestry was 5.4m. That leaves 2.9m. in mining and manufacturing industries and 4.6m. persons employed in the services sector, etc. The statistics available on wage rates in industry, however, only cover 2.85m. persons employed in mining, manufacturing and services in companies with 10 or more employees, and although it is a good guide to the health of the economy, economists reckon that wages paid in cottage industries, etc., are somewhat lower than the averages *on the books of larger* companies. Of course, giant *conglomerates like* Hyundai, Daewoo or Samsung pay their workers *substantially more than* the average Korean wage—so on swings and roundabouts the official figures may hold some truth.

The accompanying charts depict the average 1977 wages of various categories of employed, as well as average wages paid in key industries. Moreover, they trace the rate of increase wages for managers, white-collar employees and blue-collar workers in the Korean economy since 1973.

What emerges from the chart is a clear indication that the blue-collar worker has seen his pay rise briskly in recent years, *and faster than the average in* 1977, but on the whole not as fast as the much higher wages paid to managers or white-collar employees. During 1977 the Government was under tremendous pressure to remedy the situation and took stiff action to force companies to raise the "minimum" pay at major companies (hence the 24.3 per cent. rise in average blue-collar wages last year. The Government is wary of setting an official minimum wage, and has come under attack from some religious organisations for this policy, but it is now widely known that the Office of Labour Affairs puts pressure on any employer paying less than 30,000 won ($62) a month. Pay on this scale has become more the exception than the rule as more and more workers *earn* the blue-collar "average" of $120 a month.

In South Korea (as in the rest of Asia) women earn substantially less than men, although straight-line comparisons are misleading. In fact, women make up the lion's share of the workforce in textiles and electronics—industries where men take the jobs as supervisors, foremen, technicians and managers, while women (usually aged 17 to 25, just off the farm) do the dirty work. A foreign *missionary who works with* groups of young textile workers *reckons they often earn up to* $100 a month, and get certain housing and food benefits on top of that. However, statistics for the whole of Korean industry show that women in 1977 earned only 43.9 per cent. of the average male wage, no change from 1976 but slightly worse than, say, the 46 per cent. level of 1974. Thus, women workers seem to have benefited less from the boom than their male counterparts—although it is clear that many more young women can now look forward to entering the wage economy.

Indeed, if low wages are still a black mark in the developing Korean economy, jobs are the bright spot on the labour horizon. Although there is still abundant unskilled labour, the number of persons employed in the wage economy is rising rapidly. In 1977, some 7.3m. persons were employed in non-farm households—an increase of 8.7 per cent.—while the number of employed in farm households declined by 3.6 per cent. Overall, employment in the economy rose by 3 per cent. (in a year when the rate of population growth continued to be half of that). South Korea is therefore proving more able than was anticipated to provide jobs for *new entrants* into the workforce, and long-term planners *expect that* by 1985 South Korea may reach the "full employment" level achieved by Japan in the mid-1960s.

D.R.

SOUTH KOREA VI

Motor output begins to take off

ONE YEAR after businessmen were writing it off as a mistake the South Korean motor industry is straining capacity. Though Korea's cars are still only marginally competitive in the world market, the makers expect to triple exports this year to 30,000 and hope to triple them again next year. Domestic demand has doubled this year despite continued high taxation.

Mr. Herbert Telshaw, executive vice-president of the General Motors affiliate Saehan Motors, said conditions have been "fantastically better since President Park intervened in the industry last August." Mr. Telshaw credits President Park's interest and subsequent official guidance for rapid improvements in production rationalisation. "He said he wanted the industry to be a major exporting industry and started the ball rolling, and things have been on the up and up since then."

A production line at the Hyundai Motors plant in Ulsam.

South Korea still has one of the highest automobile tax rates in the world. The £2,700 domestic price of a Hyundai Pony, a sub-compact comparable to the smallest Datsuns, includes £610 commodity tax, 10 per cent. VAT, and 15 per cent. special commodity tax. Including tariffs, the tax on cars that contain more imported parts than the Pony can amount to 80-85 per cent. of the selling price. Then the buyer must pay £27 a month road tax and more than 22 pence a litre (£1 a gallon) for petrol.

This has kept the ratio of cars to people in Korea at one to 132. In Britain and Japan the ratio is one to four.

Roads

The Government has made roads its major transportation network. Even the products of the Pohang integrated steel mill are transported mainly by highway. But because of the taxes on private cars, traffic in Seoul consists almost entirely of buses, trucks and insanely-driven taxis. Seoul citizens can still travel through downtown by bus or taxi with only occasional slowdowns for traffic jams, and Government planners do not want that to change.

When Hyundai Motors completed its plant to build the all-Korean Pony in 1976, demand was as low as one-third of capacity, and Korean manufacturers were furious at Government taxes. Mr. H. K. Paik, public relations manager at the Hyundai Motors factory, still predicts the Government will eliminate the road tax "very soon." But Saehan's Mr. Telshaw noted that to-day, "if they reduced the taxes they would merely inflate the demand far beyond our capacity to supply it."

Although the Government did not cut taxes last year, it did not raise them either, and in a country where nominal incomes are rising at 25 per cent. a year and the upper classes are moving into Seoul suburbs, stable prices proved sufficient to raise demand dramatically.

Mr. Paik was translator and close associate to Mr. George Turnbull, a former British Leyland managing director who spent three years with Hyundai helping launch an independent Korean motor industry. Mr. Turnbull left last spring, convinced that the Government's priority on motors was too low.

Mr. Paik notes that the Pony plant represents only a minor investment by international standards. It cost $100m. (£55m.). "About $300m. is the average expense for introducing one new model in a big car company," he says. An Italian consumer products designer with no experience in motors designed the Pony, and much of the engineering was British.

Even at double last year's production rates, South Korea's motor industry will manufacture only about 90,000 cars this year. That is the number the industry expects to produce for exports alone next year. "Someone compared the industry here to the motor industry 15 years ago in Japan," said Mr. Paix. "We're going to make it much shorter."

Saehan Motor projections indicate Korea's domestic demand will rise to 800,000 a year by 1987 with the present tax structure. At that point the country will have a per capita income of £2,200 a year and one car for every 15 people. Just to keep up with that much internal demand, the industry must invest £75m. a year.

South Korea's auto exports so far have gone to the Middle East and South America, where pollution and safety regulations are weak and the Koreans can sell cars simply by keeping prices low. Mr. Paik said Hyundai has lost money on exports, but when production reaches the 100,000 a year level (which Hyundai expects late this year), exports will become profitable.

The Pony has just passed tests in Britain, and Hyundai plans to start European sales. But some doubt whether Korean cars are really ready for Europe yet. Pony taxicabs in Seoul have a remarkable number of suspension problems and sticking doors. Mr. Paik said these problems had been remedied on Ponies coming off the production lines to-day.

Mr. Telshaw said the Korean Government is developing the domestic auto industry on "Japanese lines. The manufacturers are designated as mother companies and they are expected to support their subcontractors technically and financially," he said. In America subcontractors are more independent, and anti-trust laws discourage manufacturers from helping them too much.

Faster

Japanese and Koreans believe that help from the Government and "mother companies" can make parts producers improve their quality much faster than they would on their own. "I think you have to look at the Japanese auto industry and ask yourself whether they are not doing some things we ought to learn from," said Mr. Telshaw.

Despite their still small production, Saehan has developed 190 Korean parts suppliers and Hyundai has developed 400. One small company that had previously specialised in producing can openers now makes the brakets that attach the lid of the pony's trunk to the body. Korean car makers seek at least two suppliers for each component, so the suppliers will bid against each other. But the "mother companies" often own part of the stock in each of the competing subcontractors.

General Motors owns 50 per cent. of Saehan and the rest is owned by the Korean Development Bank. Saehan was GM's first automaking joint venture. Until 1971 the company had insisted on 100 per cent. ownership in any country it entered. But Saehan operates independently of GM and has established its own dealers to sell its exports. GM recognised in helping to establish Saehan that the company might eventually prove a tough competitor in world markets.

Mr. Telshaw said independence for the Korean company is a necessity because of cultural differences. "I would not want to run a wholly owned foreign business in this country," he said.

In addition to Hyundai and Saehan, there is a third major vehicle maker, Kia Motors, which is wholly Korean owned but linked to Honda Motors in Japan. Kia in turn dominates Asia motors, a smaller fourth automaker that Kia took over with Government co-operation after Asia fell into financial difficulty.

Robert Wood

A minor miracle on the farm

[illegible]TH KOREAN agriculture, [illegible]ch had been lagging behind the nation's amazing eco[illegible] upsurge, has achieved [illegible]ntial gains in recent years [illegible]ough still less spectacular [illegible] the manufacturing sector. [illegible]or the first time in a genera[illegible], the country is self-sufficient [illegible]ice, by far the most impor[illegible] food in South Korea. It [illegible]ts the highest rice yield per [illegible] land in the world.

[illegible]e income of the average [illegible] household is roughly on a [illegible] with that of urban wage[illegible]ers according to official [illegible]stics. "Now we are in a [illegible]tion to produce enough rice [illegible]ed ourselves and still have [illegible] left for export, thus [illegible]ming one of the eight [illegible]ries in the world that can [illegible] rice abroad," says Mr. Kim [illegible] Hyun, president of the [illegible]y-established Korea Rural [illegible]omics Institute. "This is [illegible]thing of a miracle, resulting [illegible] more than a decade of [illegible]nt investment and [illegible]uous effort."

[illegible] the one-time Minister of [illegible]culture said, South Korea [illegible]come a long way from the [illegible]ndency which charac[illegible]d the lot of Korean [illegible]ers only 15 years ago.

[illegible] the early 1960s, this tradi[illegible]lly agricultural nation was [illegible]ing from grinding poverty [illegible] villages and had to import [illegible] quantities of rice and [illegible] grains under the U.S. aid [illegible]amme. Every spring, [illegible]e barley was harvested, the [illegible]rs went through a period [illegible]nger, many subsisting on [illegible] off trees and edible weeds. [illegible]ir paddy fields were so [illegible]quately irrigated that they [illegible] totally at the mercy of [illegible]eather. With 56 per cent [illegible]e entire population living [illegible]e farmland that accounted [illegible] mere quarter of the total [illegible]ry, around 36 per cent. [illegible] rural families were forced [illegible]bsist on farms less than [illegible]ctare in size.

[illegible]en the Government laun[illegible] a series of ambitious [illegible]mic development plans in [illegible] emphasis was laid on [illegible] sectors, all but neglecting [illegible]grarian economy which [illegible] 36 per cent. of gross [illegible]al product (now down to [illegible]r cent.).

[illegible]as only at the start of the [illegible] that increasing attention was paid to agriculture. The third five-year economic plan (1972-76) made rural development one of its main goals. This policy is intensified under the current fourth plan. Investment in agriculture is planned to increase by nearly 50 per cent. to 1,500bn. won (about \$3.1bn.) during 1977-81.

Some 40 per cent. of the funds will go into land development projects, including irrigation, drainage and reclamation, with the farm mechanisation programme getting nearly one-sixth of the total. Also, livestock and sericulture (production of silk) will receive increased investment.

Grains

The foremost concern of South Korea's agricultural policy is increased production of food grains, so that the country can reduce its food import bills which totalled \$4.1bn. in the past 13 years.

After three consecutive years of good crops, the country enjoyed an unprecedented 15.2 per cent. rise in rice production, totalling 6m. tons. South Korean agricultural officials say this meant an average rice yield of 4.94 tons per hectare, the highest in the world (it was 4.81 tons in Japan in 1975). The remarkable feat is attributed chiefly to the high-yielding local varities, Tongil and Yushin. Tongil, also called IR667, is a product of technical collaboration between Koreans and the International Rice Research Institute in the Philippines. Basically a cross of native strains and the so-called miracle rice developed by the IRRI, it covered 55 per cent. of paddy fields last year. This year the ratio is planned to be enlarged to 69 per cent.

Although rice production exceeded demand by 8 per cent. last year, overall domestic grain supply met only two-thirds of requirements due to a very poor barley crop caused by bad weather.

This year, barring disastrous weather conditions, a twofold increase in barley crop is projected, making the country self-sufficient also in the second major food grain. This will raise the overall self-sufficiency to 79 per cent.

A typical Korean farming village.

South Korea will, however, have to continue to import almost all its wheat and corn requirements. Wheat is an uneconomical crop because the growing season is too long, interferring with double cropping. A research programme is under way to develop a wheat variety which matures early, before rice is planted. Increased rice output can also be attributed to improved irrigation (for 86 per cent. of all paddies), better fertilising and widespread use of agricultural chemicals.

Another important factor behind the agricultural progress is a new zeal generated among the farmers by Saemaul Undong—the new community movement—initiated in 1971 as an integrated rural development campaign.

With the concepts of "diligence, self-help and co-operation," the movement is aimed at motivating villagers into improving their own living environment and productivity, then raising their incomes. Elected village committees select projects that are implemented principally by voluntary labour, with some Government assistance in cash and building materials.

Sstarting with such simple projects as roof improvements and drains, Saemaul Undong moved on to infrastructure projects such as farm roads, small bridges, electricity and piped water, and then to income supplement projects including joint livestock raising and sericulture. It has now spread to urban neighbourhoods and among factory workers.

According to official figures, the once-wide disparity between urban and rural earnings has been almost eliminated in terms of income per household. But since rural families are slightly larger than those in urban areas (5.5 versus 5.2), farmers income per capita is still lower.

Also playing a vital role in providing higher rural incomes has been the Government's grain price support policy. Every year the Government purchases substantial quantities of rice and barley from the farmers upon harvest at higher prices than it sells them to the consumer. Last year the difference was 35 per cent. for rice and 68 per cent. for barley.

As a whole, agriculture has attained an average gain of over 4 per cent. per annum in the past decade. Although this is much slower than the dazzling industrial growth of nearly 20 per cent. a year, the rate is impressive when compared with most other countries.

For all this achievement, there are many problems facing South Korea. As well as the need for increased domestic grain supply, which is restrained by the limited space of arable land, the declining labour supply for farms is a growing problem. The rural population has shrunk to 36 per cent. of the national total, with the ratio expected to decrease further to 20 per cent. by 1991. Particularly alarming is the fact that most of the city-bound migrants are young people.

To cope with this siuation, the Government has been encouraging a gradual shift toward mechanised farming, providing loans for purchases of farm machines. But mechanisation still has a long way to go, given the small size of unit farms (0.95 hectare per household) and irregular shapes of paddy fields (at present 53 per cent. have been rearranged into regular patterns).

A locally produced small power tiller is the principal farm machine in use, numbering 166,000 last year—one for every 14 farmers. This number is planned to double by 1981. The Government will make loans available for their purchases.

A third problem concerns the rapidly rising demand for meat and dairy products. The Government is making special efforts to promote the livestock industry, but there are a number of constraints, including huge investments to develop pasture land on hillsides and the need to import most feeds.

To meet growing meat shortages, 20,000 tons of beef and 3,000 tons of mutton will be imported this year, mostly from Australia.

Fishery, which provides an important protein source, has also made great strides in recent years, with its standing in the world climbing to seventh in production and fourth in exports. Along with meat, fish and other marine products are among the protein food items whose consumption in south Korea will increase sharply in the next 15 years. The nation's fishing vessel tonnage, 144,889 tons in 1961, had increased to 660,949 gross tons by 1976, while fishery production rose to 2.4m. tons in 1977 from 532,153 tons in 1963.

The growth of deep-sea fishing has also been remarkable. From a mere three boats in 1960, the deep-sea fishing fleet expanded to about 850, and caught a total of 596,000 tons to earn \$313m. in exports last year.

South Korea's deep-sea fishing industry, however, began to suffer some setbacks in the face of the 200-mile zone proclaimed by most coastal nations. So far South Korea has succeeded in concluding fisheries agreements with around 50 countries, including the U.S., New Zealand, and some African and Latin American States, which allow South Korean fishermen to operate in their waters under quota or fee charge arrangements.

Hardest

The impact is hardest felt in fish supply at home. South Korean ships are barred from North Pacific waters around the Soviet Kamchatka Peninsular, from where over 300,000 tons of fish used to be brought home annually. For the first time in history South Korea is having to import 50,000 tons of cod and herring this year from foreign suppliers.

As regards the question of further boosting rural incomes, the agricultural officials' view is that increasing non-agricultural income (which now accounts for only 22 per cent. of an estimated 1.4m. won — about \$2,900 — earnings per household a year) holds the key. This ratio can be compared with Japan's 70 per cent. and Taiwan's 50 per cent. The Government campaign to induce industrial plants into farming regions is making little progress. As industrial wages continue to rise sharply, there is a good possibility of the urban-rural gap widening again.

Samuel Kim

SOUTH KOREA VIII

Still space for foreign banks

FOR FOREIGN banks in South Korea, the nation's recent economic successes have proved, at best, to be a mixed blessing.

Those banks which stood by the country when it was caught in a tough credit squeeze three years ago may get satisfaction out of seeing their loan decisions vindicated so decisively.

But the improvement in the balance of payments, and the increase in foreign exchange reserves (to $4.31bn. at end-1977, $2.96bn. a year earlier) have been so sharp that South Korea has suddenly become quite a bit stronger and more independent than the international banking community had bargained for.

Already, Korea has repaid ahead of schedule more than half of a $200m. balance of payments loan provided by foreign banks in 1975 (some banks refused to participate in the syndication at the time, doubting the country's ability to deal with its post-oil crisis balance of payments problems).

And in virtually all areas of their business in Korea, foreign banks are now finding themselves subject to a Government-imposed squeeze, both in terms of volume and of profitability.

Finance Ministry officials explain the squeeze partly by saying that South Korea now needs carefully to control foreign currency inflows, which risk heating up inflation by further boosting money supply (the M1 aggregate shot up by 41 per cent. last year, partly as a result of stronger-than-expected services receipts in connection with Korea's phenomenal success in winning Middle East construction contracts).

More fundamentally, the officials state bluntly that the time has come for foreign banks to start taking a more mature attitude to their actvities in South Korea, and to accept an inevitable increase in competition from Korean banks.

Strength

With their new-found strength, it clearly makes sense to the Korean authorities to cover more of their fund requirements out of official reserves while seeking ever-better terms on those overseas borrowings which they must continue to make.

High liquidity in the international banking community is helping to make it easy for the Koreans to play the game.

One major restriction on foreign banks' onshore business has been reductions of up to 20 per cent. in their swap quotas with the Bank of Korea, under which they convert foreign currency to won for local lending.

According to the Finance Ministry, swaps outstanding (for 20 foreign bank branches) totalled around $330m. at the end of last year. Particularly for the oldest-established U.S. banks, with the biggest shares of that total, the cuts represented a hefty reduction of a highly profitable area of business.

For newly opening branches, quotas have been set at a uniform $5m.—half the $10m. allowed for new entrants until last year.

Permitted margins on the swaps have also been sharply reduced—although foreign bankers concede the business remains very attractive.

A carrot has been placed before all the banks in the form of a 10 per cent. increase allowed in their new swap quotas if they agree to extend won loans without local bank guarantees.

The story is similar in the case of onshore-booked foreign currency term loans. Until last year, these loans were encouraged without volume limits. Now, a ceiling of $200m. split up among all the banks has been imposed for 1978—but the total will be permitted to rise to $300m. if the banks forgo guarantees.

Further, maximum permitted spreads were slashed to below 1.5 per cent. over London Interbank Offered Rates for five to seven year loans—but banks lending without a guarantee will be allowed to charge up to 0.25 per cent. more.

The loan ceiling will clearly help to cut capital inflows, as Korean compa... turn more for foreign curre... loans to Korean banks (wh... get their funds from the B... of Korea).

The aim of curbing inf... will also be served by o... measures designed to red... offshore borrowings. Offs... foreign currency loan synd... tions for Korean borrow... are no longer allowed ... amounts of less than $10m., ... example (these small loans ... be provided out of the off... reserves), and the volume ... suppliers' credits has ... greatly reduced with permi... interest rates seve... squeezed.

Excuse

Some foreign bankers ... Seoul grumble that the Kor... authorities have used the mo... supply growth argument as ... excuse to crack down on for... banks more strongly than ... circumstances warrant.

They say that with the ... of local overheads ri... strongly, the newest for... bank branches are sure to s... initial opening losses, given ... restrictions on the volume ... their business—and they a... that this lack of profitabl... combined with the Korean ... for foreign bank loans wit... guarantees, could lead to s... injudicious credit decisions.

Overall, however, the for... banks appear to be convi... that their bread rem... buttered on the Korean ... The fact is that Korea will ... tinue to need huge amount... foreign capital to fund its a... tious development projec... the capital inducement ta... for this year alone is se... around $1.3bn.

And although Korea is p... ing hard for better terms, t... is no sign of any shortag... foreign banks lining up to l... Two major deals so far ... year are a $100m. loan arran... by Citicorp for the Pohang I... and Steel Company (with ... the customary Korean ... guarantee), and a $300m. ... year facility being lined ... recently with a floating int... rate of less than 1 per c... over the London Interbank R...

Looking more to the fu... Finance Ministry officials ... there will be a variety of ... for foreign banks here to div... sify their activities, partic... ing for example in ... development of local money ... foreign exchange markets.

Despite their grum... foreign bankers in Seoul ... tinue to grow rapidly ... number. Assuming no ... minute changes of hear... banks which have rece... authorisations to set up ... the number of foreign b... branches operating in S... Korea will rise to 30 by the ... of this year, from 20 at the ... of 1977, and only 11 a ... earlier.

By a Correspond...

Formula for trade success

IS THIS a recipe for an uncontrollable balance of payments surplus?

1. Start with an industrious population, trained to struggle for survival by harsh climate, overcrowding, and centuries of foreign exploitation and domestic ineptitude.

2. Launch a well-co-ordinated, all-out export drive, enlisting the support of every section of the populace. Make exporting a matter of national pride.

3. Become the first large country successfully to copy the industrial methods of the Japanese.

4. Become the first country in the world deliberately to build up export-orientated general trading companies on the Japanese model. (The Japanese versions evolved largely by accident after the American occupation broke up the trading arms of the Zaibatsu.)

5. Launch aggressive sales campaigns in skill-intensive products like ships, electronics and motors even while labour-intensive exports like textiles are still expanding at 10 per cent. a year.

6. Don't miss any opportunity. Send your fishing boats all over the world to bring back $500m.-worth of fish for export. Plan a powerful motor industry for export even though you have decided strictly to limit the use of cars at home.

Ingredients

With all these ingredients (and a little bit of statistical gimmickery), bring the rate of increase in your exports up to 30 per cent. a year. Then:

7. Leave your currency tightly linked to one of the weakest currencies in the world, the U.S. dollar.

8. Pay close attention to "experts" who warn you cannot possibly continue to increase exports as fast as in the past, and you will face a severe balance of payments deficit if you do not struggle harder than ever to export.

9—Largely omit one of your biggest and fastest growing foreign exchange earners—the overseas construction industry—from your balance of payments discussions.

In half-baked form, the result of this recipe is South Korea today, with a $1.4m. surplus on the basic balance of payments and a roaring inflation kindled by the increases in the money supply that it has caused. Government officials are confident that the surplus will not be a chronic problem—so confident that they are making no plans about what to do if it becomes one. The very lack of plans could help cause a problem.

"Korea is embarrassed by riches for the first time in history," said a Western diplomat. Foreign exchange receipts pushed Korea's money supply (M1) up by 40 per cent. last year. In reaction, consumer prices rose at a 25.6 per cent. annual rate in the first quarter of this year.

DIRECTION OF EXPORTS 1977

	Per cent.
U.S.	31.0
Japan	21.4
Middle East	9.7
West Germany	4.3
U.K.	3.0
Netherlands	2.3
Total EEC	13.9

Only four years ago, many foreigners were predicting disaster for South Korea. Oil price increases raised the total import bill by 60 per cent. To-day officials and diplomats have difficulty fielding questions that suggest that Korea could be moving towards a surplus comparable to Japan.

Officials note that Korea's trade balance was still $518m. in deficit last year, and Korea has begun import liberalisation much more quickly than Japan at a similar stage of development. With little foreign pressure South Korea ended quantitative restrictions on 133 items from Monday, May 1, and announced that it would liberalise another 188 over the next four years.

"Japan never did that. They never had the courage to liberalise the things they were internationally competitive in," said a diplomat. But Korea, unlike Japan, can have a balance of payments surplus

CONTINUED ON NEXT PAGE

Shipbuilders to the world

' YEAR, South Korea built cent. of the world's ships. ear, it will probably build st 4 per cent. The Koreans not say what they expect market share to be in five but they will say they t to surpass all the nations rope and become No. 2 in orld behind Japan. They 11th last year in terms lers received.

le all the developed s including Britain and have organised a cartel rict output amid a world ilding glut, the Koreans ressing low prices and ng all the orders they can

Hyundai Heavy Industries t Ulsan is the only Korean hat is large by Japanese rds—it is the largest in rld.

the 1m.-ton dock of ishi Heavy Industries in ki, Japan, earlier this he Japanese were build- y a single 50,000-ton roll- off cargo ship. Mitsubishi said they were barred aking any more orders e of their participation in rld cartel. But Hyundai's dock is building six ships and at one time it was g nine.

Ulsan yard also has two -ton docks each busy g four ships or steel res for the Middle East. l plans substantial fur- pansion. In addition the Shipbuilding and Engin- Company, a competitor now operates an 80,000- acity shipyard, plans to new yard at Okpo by hich will be comparable to Hyundai's.

Koreans hope that the of an enlarged Suez in 1981 will bring a in the world shipbuild- ket because companies uire new ships of appro- ize.

then, the Koreans are European and Japanese ders no mercy. "We t the time has come for anced countries, based principle of comparative ge, to relinquish those es where they no longer rice competitiveness," official of the Ministry of Commerce and Industry.

There is no secret about the reason for Korean success. "I am sure cheap labour is our greatest advantage, even though its productivity is quite low compared with Japanese labour," *said Hee Yung Chung*, president of Hyundai Heavy Industries, in a recent magazine interview. Unlike some other heavy industries, shipbuilding is labour intensive. The average Hyundai wage is £190 a month, according to the company, and a 48-hour week is standard in Korea.

The shipyard works three shifts, and can finish a cargo ship eight months after receiving the order.

Once Hyundai had proposed and demonstrated the potential competitive *power of* a mammoth shipyard in Korea, it received strong financial support from the Government's *Korea Development Bank and* the rest of the Government-*dominated financial system.*

Below

Although productivity remains far below Japan's, Hyundai leads many European producers because *of* its large-scale and new equipment. *When planning the yard*, Hyundai men studied at ship-*yards* in Britain and at Kawasaki Heavy Industries in Japan. Their technology is thus "a mixture of British and Japanese," according to a company official. More recently, Hyundai has licensed ship engine technology from Sweden, Germany, France and Denmark. The Japanese no longer allow Hyundai men into *their yards.*

One productivity advantage of Hyundai may be that Koreans give less attention to safety than other yards. Eleven men died at Ulsan last year, according to company officials.

Some *20,000* men work at Hyundai's yard, including 15,000 directly employed by Hyundai Heavy Industries and 5,000 lower-paid men employed through sub-contractors. Labour peace among the 15,000 regular employees is encoraged not only by Korean restrictions on union *activity, but also by the fact that* their wages are higher than those of comparable semi-skilled workers elsewhere in Korea. In addition to wages, the company provides housing near the isolated site of the yard.

Hyundai imports most of the ship machinery it does not produce itself. Korea still has few producers of ship components, though Hyundai is trying to make more itself.

Structures

Last year the Hyundai yard was only half shipbuilder. The other half of its exports (and nearly half of its sales) was structures for the Saudi Arabian port of Jubail, towed to Saudi Arabia by barge and installed by Korean construction companies.

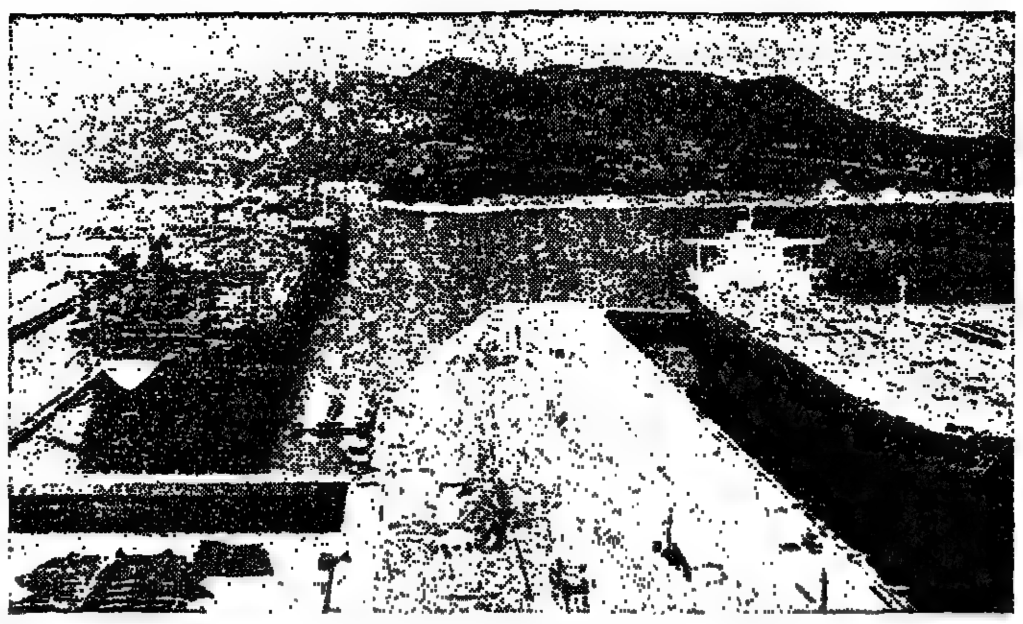
Though most world shipbuilders have talked about becoming *exporters of steel* structures since the shipping market *declined, none* have achieved a comparable order.

This year Hyundai expects to raise exports from $600m. to $1bn. and a much larger proportion will be ships. But Hyundai is also expanding its construction of electric generators, chemical plants, and similar sophisticated heavy products, many of them directed *toward Korea's domestic market.* It hopes to become an inte-*grated, technologically advanced* producer, and it recently shortened its name *from* Hyundai Shipbuilding and Heavy Industries to Hyundai Heavy Industries, to reflect its diverse interests.

Hyundai Heavy Industries is a spin-off from Hyundai Con-*struction* Company, the *lead* company of the Hyundai Group. (The trading company, which calls itself Hyundai Corporation in English, ranks considerably below the construction company in importance, but it often represents other group companies abroad.)

The construction company and the group were founded by Ju Yung Chung, who is now the group's chairman. Hee Yung Chung, the president of Hyundai Heavy Industries, is his son-in-law. Other leading *group companies are headed by* Ju Yung Chung's brothers.

R.W.



The Hyundai Heavy Industry yard at Ulsam.

Success

CONTINUED FROM PREVIOUS PAGE

problem even without a trade surplus. Korea has two factors which Japan does not.

● A growing surplus on the services account, conservatively estimated by the Government at $465m. this year. This is caused by Korean construction companies overseas, who signed $8.5bn.-worth of new contracts last year. South Korea's *current five-year plan had pro-*jected a $404m. deficit on the services account *this* year, and only a slight reduction by 1981.

● A continuing need for long-term foreign capital inflow to finance domestic investment, because Koreans do not save like the Japanese. According to official statistics, household savings in Korea were only 3 per cent. *of GNP* in Korea at the beginning of the current five-year plan. They were 18 per cent. in Japan. Additional investible funds must be obtained by foreign borrowing.

If there is no current deficit to offset the inflow of loans, the money supply soars as it did *last* year (*the five year* plan seeks to raise Korean *household savings to 7 per cent.* of GNP by 1981. But a World Bank team found the goal "would seem too ambitious.").

Different

If South Korea finds herself as seriously "embarrassed by riches" as the Japanese, the problem will be quite different. The major effects of unbalanced Japanese trade are trade surpluses, unemployment abroad and *threats of retaliation.* The major effects of unbalanced Korean trade—*at least until the* Government achieves its ambitious targets for domestic savings—are rapid increase in the money supply, with the accompanying need to clamp down on availability of domestic credit.

Like the Japanese, the Koreans see trade liberalisation as a major cure for payments surplus problems. But also like the Japanese, their nervousness about the competitive power of their own industry may lead them to overestimate the *effects of the measures they* have to take.

The items liberalised this month were chosen because they were either raw materials, like wood pulp, or else products in which Korea is quite competitive, like wool yarn. In other words, the Government chose items whose import volume is unlikely to rise greatly even with liberal-*isation. The liberalisation will* produce only $200m. in extra imports, according to a *Ministry of* Commerce and Industry estimate.

Finished woollen textiles, an item which is certainly not an *infant industry and which the* British Embassy believes could sell in Korea, will not be liberalised until 1982. Restrictions on Scotch whisky imports will continue to keep the price at £25 a bottle. But Korean officials *stress that the liberalisations* they have just announced were *only the first steps.*

A leading Government economist denounced Japanese trade barriers with a genuine note of disdain. "Aren't all the Japanese people—*farmers,* unemployed people, everybody—aren't they paying ten times the international price of beef?" he asked. "What are they doing for the consumer? Everyone is a consumer."

He said it would take time to liberalise items like whisky, which Koreans consider "conspicuous consumption," but Korea could not fail to expand imports along with its exports.

South Korea's imports of British goods have *not* been growing so rapidly, however. Korea exports 135 per cent. more to Britain than Britain exports to Korea. Britain's major purchases are textiles (£72m. worth, nearly equal to all Britain's exports to Korea), tobacco (one of the fastest growing of Korea's exports to the world as a whole) and wood products.

Machinery

Britain's major export to Korea *is* machinery. The Koreans are encouraging imports from Europe to diversify their source away from the U.S. and especially away from Japan, with its higher priced yen and history of aggression against Korea.

In diversifying import sources, the Koreans will have access to a tool that is also one of the most important in their export drive—their general trading companies. These 13 trading companies deliberately copy the style of Japan's Mitsubishi Corp., C. Itoh, etc. The Koreans are *evolving their traders carefully,* while the Japanese companies *evolved largely by accident.* The Koreans' strategy exemplifies *their export tactics.*

In Japan, there were two large trading companies, Mitsubishi and Mitsui, before World War II. *They were closely tied to the* two largest Zaibatsu groups, and they had little incentive to help outsiders.

After the American occupation broke up the Zaibatsu, nine textile and steel traders *expanded into general trading* companies. In the resulting *competition for business,* the trading companies proved excellent conduits for information about foreign technology and foreign markets, and excellent organisers of consortiums. They enabled medium-sized Japanese companies to compete with much larger *multinationals.*

All this surprised the Japanese as much as it surprised anyone else. Several foreign countries other than South Korea tried to duplicate the trading companies, but with modest success.

In 1975 South Korea *announced that traders export-*ing products worth more than $50m. a year could be designated "general trading companies." There were "no specific privileges," for GTCS, but in an economic system like *Korea's or Japan's, companies* know they will benefit from *following Government advice.*

To-day there are 13 GTCs handling about a third of Korea's exports. One example of the "prompt and generous *attention*" given GTCs was *the* Government's move last month (April) to allow each GTC to borrow up to $10m. for financing exports on an up-to-three-year deferred payment basis. Export financing for other *Korean companies is limited to* six months.

The largest GTCs have copied the Japanese model even to the extent of using names in English that seriously misrepresent the nature of the *companies.* (*Mitsubishi* Corporation to-day does not really *head the Mitsubishi Group.*) The trading company affiliated with the *Hyundai* Group in Korea calls itself Hyundai Corporation, which in overseas markets will imply that it is the head of Hyundai in the same *sense that International* Telephone and Telegraph heads ITT subsidiaries. But in fact each major company in south Korea's and Japan's industrial groups has different stockholders and independent management.

*Each company can do busi-*ness with any company outside *the group when* that is in the company's interests. The groupings are quite loose in Japan, and are becoming loose under Government guidance in Korea.

It is competition between the trading companies that has made the Japanese versions valuable spreaders of information. The evidence so far is that South Korean traders are accomplishing the same thing.

R.W.

EXPORTS 1977

	Per cent.
Light industry	52.7
Textiles	31.1
Plywood	4.2
Footwear	4.8
Heavy industry	32.8
Iron and steel	3.7
Machinery	2.8
Electronics	9.1
Other	14.5

SOUTH KOREA X

Building boom continues

A VISITOR from Japan to South Korea is struck not so much by the volume of building activity but, instead, by the simple fact that Korean construction is undergoing a private-sector boom at a time when the flurry of projects in Japan is almost exclusively Government led. Indeed, in early March the South Korean Government decided to put off public works construction until the second half of the year. About $100m. in State spending will be affected, but it will reduce the strain on supplies of building materials which first became acute in late 1977. The Government also imposed an export ban on cement from South Korea retroactive to January 1, ensuring that the estimated 15.2m. tons of production this year will go to cover the country's domestic needs.

No doubt the major factor contributing to materials shortages has been the overseas construction boom for South Korean contractors. Nearly a fourth of Korea's 531 licensed construction companies are also authorised to undertake overseas projects. By 1977, the level of construction contracts signed annually had grown from just over $2bn. in 1976 to $3.1bn., and Mr. Shin Hyung-Sil, the Minister of Construction, recently estimated that new contracts in 1978 will touch the $4bn. mark.

Squeeze

The boom has created a squeeze on building materials and construction manpower inside South Korea, and will only be partially abated by the drop in cement exports in 1978. On the other hand, Seoul recently authorised Korean companies to act as subcontractors on overseas projects—an indication of a sustained long-term presence in overseas civil engineering projects. (What South Korea loses in terms of cement exports to the Middle East in 1978 it hopes to make up in selling cement plant) — last July. Hyundai Corporation contracted to deliver a $150m. plant to Saudi Arabia, and talks are underway on seven more contracts between other countries and the Korean industry.

Thus there is no reason to expect a slowdown in overseas construction business, and Mr. C. W. Choi, president of the Association of Korean Contractors, explains this phenomenon as "Korea's way to provide its construction companies with huge-scale projects not affordable inside Korea" (unlike Japan, where billion-dollar contracts to single firms are not unheard of). Moreover, few experts see any dropping off for at least the next two to three years in the number of South Korean workers employed on overseas construction projects—estimated at about 40,000 in the Middle East alone. And since Seoul is planning to step up its oil purchases by about $300m. a year (to $2bn.) starting in 1978 as part of a plan to stockpile at least 60 days of crude oil (from 35 days' equivalent at end-1977), there is every reason for South Korea to boost its "offset" earnings further to pay its oil bill. Details are not yet available, but it appears likely that in 1977 South Korea's invisible receipts (primarily pay remittances) from overseas projects will exceed the $1bn. mark, about five times the 1976 level—thus letting South Korea swing its balance on current account with the Middle East into surplus (perhaps the first non-oil developing country to do so).

The huge increase in invisible receipts, largely attributed to overseas construction projects, has nonetheless had a negative impact on Korean prices by unleashing the money supply. It has also forced up prices of building materials (like cement) at a time when the domestic industry (like the overseas one) is in-full bloom.

In fact, the domestic boom is at least as impressive as the Middle East one. Overall, South Korean companies earn about half their income from projects inside the country. And although the ratio is about 65:35 in favour of overseas projects at the "majors" (Hyundai, Drelim Industrial Construction, Dongah Construction and Samwhan), the importance of the home market is growing.

Permits

Housing construction in the first quarter of 1978 (3.1m. square metres) was up 74 per cent. on level of a year earlier, and new building permits in February were nearly double the previous February's level. According to the Korea Housing Bank, the demand for new flats in urban areas averages between ten and twenty times supply, and new rules on savings at the Government-owned building society have pushed the level of deposits at KHB in the first quarter of 1978 about 73 per cent. up on the previous quarter's level.

The real key to Korea's construction boom, however, has been the steeper-than-average rise in industrial construction. The Ministry of Construction must approve construction plans for industrial, residential and commercial buildings, and a recent survey of approvals in 15 major urban areas put the rise in industrial building approvals (by square metres) up 159 per cent. (from January to March) on the previous year's figure. By contrast, new approvals for residential construction posted a 69 per cent. increase in the period, and commercial premises a 27.5 per cent. rise.

It is expected that the postponement of new public works spending until the second half of 1978 will largely relieve the current strain on construction materials. Korean officials also are studying ways to smooth out the disruptive effects of ove[r]seas projects on the ho[me] market. There are plans [to] have major cement firms bo[ost] their production, and over[all] plans to boost iron and st[eel] output capacity will also [be] stepped up. Still, the constru[c]tion industry in the pres[ent] boom must tackle two importa[nt] problems if it is to stay on t[op] of the boom: one is labour co[sts] and the other is overcrowding inside the industry.

According to Mr. Choi, th[e] flight of construction personn[el] to the Middle East has caus[ed] shortages of skilled labour [at] some South Korean constru[c]tion sites. Typically, the b[ig] companies which can afford [to] pay higher salaries are able [to] attract the best-qualified p[er]sonnel. Nominal wages ov[er]seas are about twice the le[vel] in South Korea, and on top [of] the standard $500 a month p[aid] as salary the contractor usua[lly] forks out another $500 a mo[nth] in living, transport and ot[her] labour costs. Until 1976, [the] wage differential was less [be]cause many Korean compa[nies] took advantage of the depres[sed] domestic industry to h[ire] workers abroad with extrem[ely] low wages by international co[m]parison. Even to-day, a g[ood] wage for a construction wor[ker] in the Middle East may [be] about a third of what Europ[ean] or American personnel ea[rn]. But the Seoul Government in[ter]vened in early 1977 and, acco[rd]ing to Mr. Choi, has instruc[ted] all companies to pay not l[ess] than $470 a month to overs[eas] construction personnel.

Wages

The move to put a floor un[der] the wages paid to overs[eas] workers naturally pushed [up] wages in the domestic indus[try]. In 1977 the average wage p[aid] in the home industry [was] 150,000 won compared w[ith] 120,000 won a year earlier[, an] increase of 25 per cent. The r[ise] in wages has put up the gene[ral] cost of construction inside Sou[th] Korea, and it remains to be se[en] whether in time Korean work[ers] overseas will be drawn back [to] take jobs at domestic build[ing] sites, possibly jeopardizing [the] sales push of companies abr[oad].

Overcrowding is a more ac[ute] problem for the Korean c[on]struction industry. There is [an] over-abundance of small fi[rms] (usually with less than 50 [em]ployees) which account for o[ver] three-quarters of the number [of] Korean construction compan[ies]. In fact, many smaller compa[nies] have been absorbed in rec[ent] years and the list of authori[sed] contractors is down to 531 fr[om] about 700 two years ago. M[any] have been taken over [or] merged with other small c[om]panies by major indust[rial] groups seeking a foothold in [the] lucrative construction busin[ess]. Still, the concentration [of] "power" in the few major c[on]struction firms has meant [a] growing inability of sma[ll] firms to compete for labour [in] the already tight market, [and] many observers reckon the o[nly] long-term solution is the par[ing] of the industry's ranks[,] perhaps by more than half.

D.

Electronics expansion

SOUTH KOREA'S electronics industry is following in the big footsteps of the Japanese. "Last year Korea achieved $10bn. in exports, and $1.1bn. in electronics items," says Mr. Y. S. Park, executive managing director of Dongnam Electric, South Korea's fourth largest electronics company by its own reckoning. "What the Japanese accomplished ten years ago, Korea is achieving now."

"And after the Japanese achieved $1bn. their exports seemed to increase very briskly," he added, noting that to-day the Japanese export more than $10bn.-worth of electronics each year.

South Korea's electronics exports are already increasing very briskly. In 1970 they were worth less than one-twentieth what they are worth to-day. Korea is deliberately following strategy learned from Japan. This includes:

- Aggressive borrowing of technology from abroad through licensing and joint venture agreements, often with companies that are below the top of their fields internationally and therefore are not big exporters themselves.
- Careful step-by-step government guidance of the industry's development.
- Widespread sub-contracting from big companies to smaller companies which pay low, competitive wages.

Growth

For Dongnam, South Korea's growth in electronics has meant a rise from zero to £20m. in annual sales over a decade. Mr. Park expects sales of £80m. a year by 1981.

But the strategy behind South Korea's growth is much more clearly visible at Dongnam's biggest and toughest Korean competitor, Samsung Electronics. Samsung was founded in 1969. It is the newest of the country's big electronics makers, and also the strongest. It surpassed Dongnam within five years of its founding and to-day it claims to be number one to Dongnam's number four. numbers two and three, by Samsung's calculations, are Gold Star and Daehan.

The strength of Samsung Electronics lies in its links to the Samsung Group, a conglomerate that began when Mr. Byung Chull Lee, the founder, opened a rice shop in 1938. The group now includes key Korean companies in textiles, industrial machinery, chemicals, shipbuilding, construction, broadcasting, leisure services, agriculture, retailing and foreign trade.

Mr. Lee owns the largest share of each company, but the Government has been encouraging public ownership and separation of ownership from control for each company in all South Korea's conglomerate industrial groups. The group is thus evolving into loose industrial coalitions similar to post-World War II Japanese groups like Mitsubishi.

The Government encouraged Samsung's entry into electronics in 1969 because the group — though still small by international standards — had the power and international connections needed to bring modern technology into the Korean electronics industry.

When South Korean television manufacturers like Dongnam began producing in the mid-'960s, they simply assembled parts produced by manufacturers in Japan. Even to-day, according to Mr. Park, the cost of imported parts equals 65 per cent. of the value of the country's electronics exports.

Samsung Electronics distinguishes itself from its competitors by its independence from foreign suppliers. Mistaking an "R" for an "L" in typical oriental fashion, a company

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هكذا علت الأجيال

A bright future in special steels

ARLY NEXT month Ki Young eo will leave Pohang, South orea, for Ohio, where the chnicians of Electric Furnace ill teach him to produce licon steel.

A few years from now, the oreans hope to export silicon eel, and a few years after at they expect to export the achinery necessary to make it. ney will deal a severe blow the steel and machinery in-stries of Japan and the U.S., hich, according to the Koreans, w dominate the world licon steel market.

Korea's future silicon steel ports will only slightly affect ectric Furnace, however. ectric Furnace is not the eading producer of silicon eel equipment in the world even in the U.S.

The Koreans' aggressive ack on silicon steel tech-logy is one more reason to lieve Korea is on its way to coming a major power in avy industries like steel. It o shows that the reluctance top companies in the veloped world to sell their owledge need not block in-nious newcomers from getting ld of similar knowhow some ier way.

heaply

Yeo and other company men Pohang Iron and Steel OSCO), Korea's semi-Govern-ntal integrated steelmaker, they could have bought a icon steel plant more easily d cheaply from Nippon Steel Japan or from Aramco, the ding U.S. silicon steel-maker, n from the consortium in ich Electric Furnace is par-ipating. Nippon Steel origin-y bought its technology from amco, then distributed it oughout Japan and its pro-cts throughout the world. sco men said.

Both Nippon Steel and amco remember how amco's sale to the Japanese ated a tough competitor. ppon Steel is willing to sell a con steel mill, but not the knowhow for re-export. Aramco is willing to license the know-how, but only with strict limi-tations.

The consortium that is help-ing Posco enter the silicon steel business includes with Electric Furnace, Aetna Standard Engin-eering and Allegheny-Ludlum Steel, America's No. 2 silicon steel maker. Its members have a much lower world market share to begin with, so they have less to lose by selling their technology to the Koreans. "The terms and conditions are very good," said Chang Ho Choi, a Posco man who teaches English to Yeo and other Pohang trainees going abroad. "We think in this case, No. 2 is the best."

Silicon steel is used mainly in electric motors. Korea now imports her silicon steel mainly from Japan.

The Japanese built the first stage of the Pohang mill. It was one of Japan's first major steel mill exports. The Japanese designed and financed a 1.03m. ton-a-year first stage after the world bank rejected a 600,000 ton-a-year proposal put together by a Western consortium as un-economic. The mill to-day retains the basic layout created by the Japanese, with iron mov-ing in a U-shaped pattern from ore unloaders and blast fur-naces to oxygen furnaces, roll-ing mills, and product shipping areas.

Korea received the Japanese help with Pohang's first stage in 1969, in the days before the oil crisis, when the Japanese expected steel demand to ex-pand virtually for ever. Back then, Japan worried very little about creating new competition.

Since then, things have be-come tougher, but the Koreans are in a uniquely good position to learn from the Japanese even when the Japanese do not want them to. "For Japan and Korea Chinese characters have the same meaning. Only the grammar is different," said Hong Chong Lee, vice chairman of the Korea Iron and Steel Association. "In China itself, many characters have signifi-cantly different usage. Korea was a Japanese colony from 1910 to 1945, and everyone who attended school was required to learn Japanese. Thus older Koreans can read Japanese tech-nical publications. Younger Koreans can read them with only a little study.

Declining

The direct Japanese role in Pohang's construction is declin-ing with each successive stage. The fourth stage starting this summer will be entirely Korean.

Posco men are an elite in every sense of the word. Their wages range from about £170 a month (which is about average for technicians in South Korea according to government statis-tics) to £340 a month, about double the average. That is still far below Japanese or American levels. But more striking than pay are the recreation, housing and other benefits. Unlike wel-fare facilities at a major Jap-anese mill, the facilities at Posco compare favourably with those at the best private American college campuses or quality suburban apartment complexes.

A Posco public relations man said the excellent facilities were necessary to lure top-men to the isolated mill site and maintain their morale. "If you gave them the same type of salary and the same type of fringe benefits, they would rather work in down-town Seoul," he said.

But Yeo said he liked living in Pohang, where a small beach resort continues to be washed by clean water from the Japan Sea despite the construction of the mill.

Posco men are proud of their "cleaning" efforts, though air-pollution is noticeably worse than at similar facilities in Japan.

A company official said the Government largely determines Posco salaries, but company president Tae Joon Park decides and implements company wel-fare policies himself. Park is a retired general known for his cleanup of the corruption-ridden Korea Tungsten company in the 1960s.

Not all the workers at Pohang are as lucky as Yeo and other regular Posco employees, how-ever. Even to-day, five years after the plant opened, construc-tion men working on the third and fourth stages of the mill still outnumber regular Posco employees by 15,000 to 10,000 None of them get access to wel-fare facilities comparable with those of regular Posco men.

"Steelmaking is not so much capital intensive as construc-tion-labour intensive," said a Japanese steelman worrying about Korean competition last year. He noted that even a capital-rich country cannot pro-duce steel cheaply if it must pay high salaries to the con-struction workers who build the plant. In Korea, construc-tion labour is plentiful, and construction companies compete to participate in a project like Pohang because it will give them valuable experience. Every major Korean construc-tion company is now working there.

In addition to regular Posco men and construction employees, there are also 4,000 employees of "co-operating contractors" in the mill, receiving much lower wages than regular em-ployees. They do dirty jobs like cleaning and laying heat-resistant bricks.

Contractors

"They have their own gate, and a lot of country boys coming out of there are pretty dumb," commented a Posco public rela-tions man. The practice of re-quiring sub-contract employees to use a separate gate was com-mon in pre-World War II Japan, but it has been aban-doned in at least some newer Japanese mills.

Compared to the Japanese steel industry, Korea's is still very much an infant. The Pohang mill's capacity is 2.6m. tons a year to-day, it will be 5.5m. tons when the third stage expansion plan is completed this summer, and it will reach 8.5m. tons with the completion of the fourth stage in 1981. That com-pares with 14m. tons potential capacity at Nippon Kokan's Fukuyama works in Japan, which is the largest in the world. The Japanese have a total of 140m. tons of installed inte-grated steel mill capacity.

Although Pohang exports 23 per cent. of its production, Korea imported 600,000 tons more steel than she exported last year. Imports were 1,200,000 tons of finished steel, including many types of special steel Korea does not yet pro-duce, and 800,000 tons of hot rolled coil, a basic semi-finished product for which Posco's pro-duction capacity has been insufficient.

When the mill's third stage expansion is completed this summer, Korea will turn into a net exporter, at least tem-porarily.

The Posco mill has received infant industry import protec-tion against the Japanese. It is Korea's only integrated steel mill, but when the fourth stage is completed in 1981, many of the construction workers there are expected to move to the west coast of Korea to begin construction of a second mill which will be privately owned. In major heavy industries in-cluding integrated steel mills, petrochemicals, fertiliser, and oil refining, Korea has set up government corporations to launch the expensive, potentially risky first plant, then allowed private investors to establish other plants as demand expanded to justify more than one economically sized installa-tion. Thus the government sub-jected its own plants to com-petition.

Although Korea's integrated steel industry remains an infant, in the other major type of steel production, electric furnace steel, Korea is a world leader in quantity of output. Electric furnaces use mainly scrap as their raw material. They are most efficient for producing construction materials, and no country is a more voracious market for construction materials than Korea. Of Korea's 5,114,862 tons of total steel consumption last year, 51.3 per cent. was ultimately used for construction.

In 1975 Korea's electric furnace steel industry surpassed Japan to become the biggest importer of steel scrap from the U.S. Last year Korea imported 1.7m. tons of crushed Chevrolets and similar junk across the Pacific Ocean in special scrap carriers.

R.W.

Electronics

CONTINUED FROM PREVIOUS PAGE

brochure proudly declares the company "turns out all the necessary parts, and thus breaks away from the prevailing prac-tice in the electronics industry."

The Government has encour-aged Samsung Electronics to draw on personnel and ex-perience from other Samsung companies, attract technology from abroad and begin produc-tion of dozens of technically advanced electronic com-ponents. Import protection is guaranteed until local tech-nicians develop the skills to be internationally competitive. Other electronics producers are encouraged to buy key com-ponents from Samsung to guarantee a market large enough to justify production on an economic scale.

Samsung has a joint venture with Corning of the U.S. to pro-duce glass for picture tubes, a joint venture with Sanyo Elec-tric of Japan to produce tuners, electrolytic capacitors and fly-back transformers, a joint ven-ture with Nippon Electric of Japan to produce receiving tubes, picture tubes and semi-conductors and a joint venture with a small California com-pany called Integrated Circuits International to produce large-scale integrated circuits and other sophisticated silicon wafer devices. Samsung has also licensed technology from Kelvinator of the U.S. to pro-duce refrigeration compressors.

The Government tightly regu-lates prices on these products. In many Samsung holds a domestic monopoly. "We think the selling price is so low that it's very hard to manage," said Mr. Choong Il Yang, a member of Samsung Electronics' plan-ning department.

The price is high enough to make Mr. Park envy Samsung's Government - promoted domi-nance, however. Dongnam, which still imports its com-pressors from Japan and is therefore required by South Korean rules to export 80 per cent. of its output, finds it hard to compete with a company backed by the Government to produce its own compressors.

"I personally feel they should be produced by a special government-invested corpora-tion," Mr. Park says. But he acknowledges the importance of Government guidance. "If every company tries to make their own parts, they'll never have any international competi-tive power." And Dongnam does not aspire to Samsung's status, with the extra Govern-ment interference that would accompany it. "We're enjoying being a medium-sized com-pany."

Even Samsung remains modest by international standards. Its annual sales last year were worth £75m. com-pared to £9bn. for Japan's Matsushita Electric.

According to Mr. Yang of Samsung, Samsung has not broken with oriental tradition to produce every kind of part for itself, it has only sought to produce the most sophisticated parts. For less sophisticated products, Samsung has more than 500 subcontractors. Although there are no statistics on the number of workers the subcontractors employ, their importance is indicated by com-paring the 500 subcontractors to the total labour force employed directly by Samsung and its joint ventures: 12,000. Samsung has one subcontractor for every 24 employees.

In Japan, companies sub-contract more work than western companies at least partially because subcontractors are rarely unionised and thus their wages are lower. Manage-ments accept a moral respon-sibility for their regular employees—and if they did not they would face a union rebel-lion. But they can safely push subcontractor wages to a low, competitive level.

In South Korea, too, lower wages are a major reason for lower costs in subcontracting. But the reason why Korean sub-contractors pay lower wages than larger companies is harder to see, since union activity is strictly limited in South Korea.

Mr. Yang's explanation is that, "our Government is push-ing big companies to pay higher salaries, but they cannot control small subcontractors."

Average

An uneducated girl starting work at Samsung gets the equivalent of £65 a month. That is approximately equal to the average wage for all manufac-turing workers in Korea for 1977. If the Samsung girl becomes skilful at her work, her wages can rise to £135 a month for a 48-hour week, and she will be paid double for overtime. In addition to money, Samsung maintains a variety of company welfare services like those of Japanese companies.

In Europe or Japan many of the girls on Samsung's line would be attending high school. Most are rural girls who join the company after finishing middle school; the girls who pack the television sets slap styrofoam around the sides and push cardboard over the top.

But even though South Korean girls are raised to accept hard work, it would be unwise to conclude that the employees of the Korean electronics industry, or even of the largest com-panies, have found a glorious escape from centuries of Korean rural poverty. The work is boring. The smell of lead solder hangs over some of the assembly lines despite ventila-tion equipment. Its health effects are unknown.

Girls have been marrying younger in Korea since the economy started to grow. Mr. Yang and others think many girls marry because marriage provides an excuse to escape from the plant.

R.W.

Cashing in on tourists

WHEN MOST people think of Korea they probably think of the bloody war which raged up and down the peninsula 25 years ago, or of South Korea's aggressive economic development, which has been well publicised during the past decade. But most people do not think of it as a tourist destination.

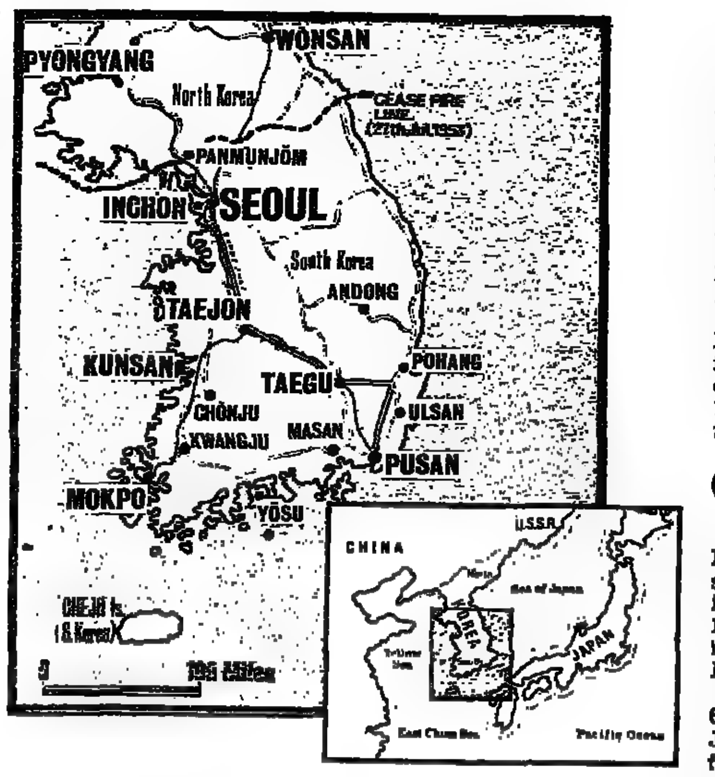
Nonetheless, that's what this small country, once so isolationist it was called the "hermit kingdom," aims at becoming. And it is succeeding.

It was only in the early 1970s that Korean planners looked about and saw the potential earning power of a tourist industry. Then they set about developing one—aggressively, as they do everything else.

In 1972 the Government even appointed a special secretary to the President for Tourism. With support for development from the top echelon of the power structure, no obstacles lasted long.

That year, South Korea had 370,000 foreign visitors who contributed about £35m. to Korea's foreign exchange earnings. In 1977, only five years later, Korea hosted 950,000 visitors, for earnings of more than £200m.

Actually, Korea had planned to have 1m. visitors last year, so it missed the mark. But the failure was not because of lack of demand. Korea had to turn visitors away. Seoul did not have enough hotel rooms.



Hotels

Accommodations have been a recurring problem ever since the tourism drive began. Korea's first luxury class hotel, the Chosun (named after the Korean traditional name for the country) opened its doors in 1970, and others followed. But by 1972 Korea was already turning some group tours away, particularly during the crisp autumn, which is the best time to visit Korea.

Seoul's room shortage continues to-day, but it should be relieved later this year, at least temporarily, by the opening of several hotels now being completed.

Presently there are about 1,000 luxury rooms in Seoul, and about 2,500 which might be called first class. By December another 2,800 luxury rooms will be available, raising the total to 6,300.

Hoteliers say they are somewhat worried about a period of slack demand, but they expect that by 1981 these new rooms, too, will be overflowing. More hotels will have to be built to keep up with the demand, they say.

Most of the new hotels include foreign investment, development, or management. The interest of international hotel chains, including some of the world's best known, clearly testifies to Korea's potential as a destination for growing numbers of tourists as well as business travellers.

Among hotels already open, the 500-room Chosun was built as a joint venture between American Airlines and the Korean Government's Korea tourist service, and the 200-room Seoul Tokyu Hôtel is operated by the Japanese chain, Tokyu Hotels International.

Both foreign companies are also scheduled to manage new hotels in the city of Kyongju, Korea's ancient capital. Their willingness to undertake new ventures can only suggest that they are happy with what they have invested in Korea's tourist industry thus far, and have no reservations about its future.

Hyatt International Hotels is negotiating to manage a 650-room hotel which will open this summer. Besides a Hyatt-Regency Seoul, there may also be a Seoul Sheraton, since the Sheraton Corporation has signed a tentative agreement to franchise another 600-room hotel soon to open. When the 670-room Hotel Shilla opens this autumn it will have technical assistance from the Hotel Okura, one of Tokyo's leading hotels.

There is also a Seoul Hilton in Korea's future. Hilton International will manage a 620-room hotel due for completion in 1980.

With all these new rooms, Korea should easily have space for 1m. visitors this year. It expects to have 2m. by the early 1980s, which will require continued investment.

Growth

At this rate of increase, Korea's visitor arrivals may soon surpass those of neighbouring Japan. Japan should also top 1m. visitors this year, although its growth is slower than Korea's.

However, in Korea, more than 60 per cent. of the tourists are Japanese. The visitor flying in from Tokyo finds the plane filled mostly with tour groups of Japanese men, very few of whom are accompanied by their wives.

As they make crude remarks about the hostesses on the Korean Airlines plane, they do little to disguise the fact that they are going to Seoul primarily because of its reputation (along with Taipei, Manila and Bangkok) as one of the sex capitals of Asia.

This aspect of Korea's booming tourist trade has been the subject of considerable controversy in both Korea and Japan, and has drawn protests from church and women's groups in both countries.

The Seoul Government denies as false allegations the claims that it fosters these Japanese tours simply because they bring foreign exchange receipts. To dispel any image of loose morals in Seoul's hotel rooms, the police require the best hotels to prevent male guests from taking Korean women to their rooms after 11.00 p.m. (what begins earlier apparently doesn't matter).

As a consequence, after that hour hotel staff routinely stop all couples entering the elevators and, assuming that any woman with an Asian face is one of Korea's ladies of tarnished virtue, tell the women they can't go upstairs.

When it happens that the couple are happily married visitors from Hong Kong or somewhere else, and the angry husband makes it clear that he resents insinuations about the character of his wife, whose name is also listed on the hotel register, there are apologies and the couple may go up to bed. The next night the scene will be repeated with another member of the staff.

Despite the earning potential of the Japanese trade the Government would like to attract a greater share of other foreign travellers, and a smaller share (but not a smaller number) of Japanese. To broaden the appeal of Korea, the Government is developing a number of areas into new tourist attractions.

Of perhaps greatest interest is Kyongju, capital of the Shilla Dynasty from 57 B.C. to 935 A.D. Situated about sixty kilometres from the port of Pusan in the south eastern corner of the Peninsula, the old city is the most bountiful repositary of traditional Korea's remains.

Expansion

The government has undertaken a massive expansion and development plan, rebuilding, renovating, and repainting the treasured artifacts of this Dynasty, the flowering of Korean culture.

While some Koreans and foreigners complain that the city has lost the charm of unspoiled age, the government believes the improvements will draw more tourists. Unfortunately they have also drawn those who prey upon tourists, and the foreign visitor is cheated by taxi drivers and assailed by innumerable touts wherever he goes. But most visitors are still impressed by the Shilla culture of a thousand years ago.

In addition to historic sites like Kyongju, the government is also developing resorts wherever natural features provide special attraction. For example, the government plans development of a large resort complex, including a golf course and hunting range, on its tropical southernmost island, Cheju-Do. An estimated $80m. will be invested in the project.

Similar developments in other locations even include a ski resort in the mountains along Korea's rugged east coast.

Korea hopes soon to have something to offer every visitor. In 1977 it held about nine per cent. of the tourism market in Asia, a share it wants to increase.

In 1979 South Korea will again host the annual conference of the Pacific area travel association, which represents the tourist industry throughout the region. The last time the association met in Seoul was in 1965.

Korea's foreign arrivals totalled 34,000 in all of 1965. Now that many visitors come every two weeks, the delegates, even those from nations competing with Korea, cannot fail to be impressed.

By a Correspondent

The beautiful Bomo-sa Temple.

Why the EEC farm talks bogged down

BY MARGARET VAN HATTEM IN BRUSSELS

LAST WEEK in Luxem- … it suddenly became clear … something had come badly …ick in the EEC's annual …price review. On Wednes- …night, some still hoped that …meeting might be extended … the week-end and the … package of measures …eed. But by Thursday after- …n, it was evident that the … were breaking down. Later … night, a bitterly disap- …ted Finn Olav Gundelach, …missioner for Agriculture, … journalists talks had broken … because of "difficulties" … financing the 1.9bn. units …ccount package of aids to …literranean producers pro- …ed by the Commission. …ere was a considerable eas- …of attitudes until yesterday," …dded, but certain new diffi- …ies had emerged "and it …me clear we couldn't finish …ay."

Reforms

…That Mr. Gundelach did not … but what was already com- … knowledge, was that Herr …f Ertl, the German Minister, … returned from a Cabinet …ting in Bonn on Wednesday …ning that Germany was un- …ng to agree to the Com- …ity's providing more than …er cent. of the money for … Mediterranean measures. … Danish President had, …ier in the week, proposed … the Community should pro- … 50 per cent. of the funds … structural reforms in Italy's …zogiorno region and 35 per … for the French Languedoc- …illon. At the time, Herr … did not indicate any opposi-

…hat is not clear is whether … German Cabinet decided on …ugher line on Wednesday, … if so, who initiated it, with …t support—and whether, even, it had the backing of Chancellor Schmidt himself. The Mediterranean package was not on the German Cabinet agenda, and in agricultural affairs, Herr Ertl is usually allowed a fairly free hand. Moreover, the Commission's proposals for the Mediterranean were published last December, but the Germans had expressed only the most vague and general reservations until last Thursday.

By an interesting coincidence, Herr Ertl also began, on his return to Luxembourg from Bonn, to press for a 3.5 per cent. rise in cereal prices, against the Commission's proposals for just under 2 per cent.

Cereal prices are built into the agricultural price structure as a whole, rather as oil prices are built into industry: higher grain prices mean higher feed costs and, hence, higher prices on livestock products. In recent years, European farmers have resisted some of the impact of rising cereal prices by importing cheaper alternatives, such as manioc root and soya. Because the EEC common wheat price is already more than double the world price, the chances of exporting surplus EEC production are slim. So a higher cereal price points fairly clearly to higher prices all round, and/or a bigger grain surplus.

Germany, as a major cereals producer, has consistently pushed for higher grain prices since the 1960s. That it should do so again this year is hardly surprising. But the last-minute announcement that it wanted a 3.5 per cent. rise has come as an unpleasant jolt, provoking speculation about a possible link with the Mediterranean issue.

On the face of it, this is patently absurd. To demur over the high cost of the Mediterranean projects and to make acceptance conditional on a higher rise in cereal prices would be illogical. Herr Ertl has made no such link. Not to the Commission, in any case. And not in public. Should he attempt to do so when talks begin again next week, however, there are those within the Commission who would not be surprised.

Over the past few months, the Commission had anticipated trouble over farm prices from Germany, and information demonstrating that German farmers are doing very nicely out of the Common Agricultural Policy has been made readily available to anyone seeking it. Though Germany contributes more to the EEC budget than any other member, its farmers (though not its consumers) gain most from the green money system, which keeps German domestic farm prices 15 per cent. above the EEC average and subsidises its exports to other members.

FINN OLAV GUNDELACH

. . . committed to an average price rise of no more than 2 per cent.

JOSEF ERTL

. . . what went on at the West German Cabinet meeting on Wednesday?

Farm support

Since the mid-1960s, high prices have encouraged production and curbed consumption to a point where Germans now produce substantially more than they consume in the dairy and sugar sectors. Last year Germany received a disproportionate 15.8 per cent. of the Community's farm price support fund, used to buy up surplus commodities which cannot be sold on the open market at or above a fixed floor price. And, not surprisingly, Germany is by far the biggest contributor to the Community's "mountains" of butter, milk powder, and beef.

Moreover, German farmers are economically inefficient. They use twice as much heavy machinery for the same amount of output as their French counterparts and three times as much as the British. They also use more manpower—8.6 men per 100 hectares in Germany, compared with 5.1 in France and 3.4 in Britain, according to 1973 figures.

But, with every other member-state pressing for special concessions in the form of milk-marketing boards, pigmeat export subsidies, wine-support prices, and so on, Herr Ertl cannot be expected to slink home empty-handed and tell his farmers they have been paid too much for too long, and must now tighten their belts for a long, sharp drop in their incomes.

Last year, German farmers' incomes fell by 8 per cent. in real terms, more than in any other country. British farmers' incomes, for example, were unchanged in real terms, French farm-incomes rose 8.6 per cent., and Ireland's by 21.5 per cent. Moves to bring green currencies back to foreign exchange market rates, according to the Commission's plans, boost farm incomes in the weaker currency countries such as Italy, France, Ireland and the U.K.—all of whom have devalued their green currencies in the past six months to make a stringent prices policy politically acceptable.

Germany, for whom the Commission has proposed a 0.3 per cent. revaluation of the green Deutschemark, faces another real drop in farm incomes if prices are held down to the levels indicated by economic factors alone. The easiest way to keep the Germans happy would be to concede the smallish extra increases on the milk and cereals prices for which they are pressing. These two sectors are by far the biggest components of European farm incomes and small rises in them would boost the average price rise substantially. But further concessions here, though they might not look bad on paper initially, would mean a hefty rise in the cost of the CAP and would weaken the policy's chances of dealing with EEC enlargement.

The struggle to prop up artificially high prices for dairy products, cereals, beef and sugar—coinciding with doubts among several member states over the financing of the Mediterranean package—indicates the start of a north-south clash that has been looming for some time. Ministers haggling over the rate at which the mountains of northern products should be dismantled are fairly united in their determination that similar surpluses of olive oil, tomato concentrate, processed peaches, and wine should not be allowed to build up in the south. They insist that financial support for these products, as proposed in the Mediterranean package, should be considered only in the context of Spanish, Portuguese and Greek production, present and potential.

Extra weight

Production costs, and hence prices, in the three applicant countries are substantially lower than in the existing Community. Enlargement would increase the number of EEC farmers by 55 per cent., but the value of agricultural output by only 24 per cent. The effect on the Community budget of supporting this extra weight is clearly a factor in the present negotiations.

Reservations over the financing of the irrigation project proposed for the Mezzogiorno, and of the restructuring of vineyards in Languedoc-Rossillon to promote efficiency and higher quality, are slightly different.

Though some other members are reluctant to agree to the Community paying a high proportion of the cost, lest it set a pattern for similar projects in the new member States after enlargement, the main doubts being voiced at the moment are over cost-effectiveness. The U.K. junior Minister, Dr. Gavin Strang, raised this point last month and several member States share doubts over the effectiveness of pouring funds into Mediterranean regions.

Lemon subsidy

They all point to the "penetration premium," a direct subsidy to Italian lemon producers. It was introduced as a short-term measure in 1969 to improve the marketing and quality of the product, in the hope that Italian lemons would be able to compete on EEC markets without financial support after five years. It has failed dismally. There has been no marked improvement in quality, and the cost of the subsidy has soared from less than 4m. units of account in 1973 to 20m. units of account last year.

Further aids to Mediterranean regions are likely to follow the same pattern, say dissenting States. Moreover, structural measures to promote efficiency must mean a reduction in the farming population—and how can this work without supplementary policies in other economic sectors?

It was already clear at the start of last week that wide differences remained in major areas of the farm package under review, and that chances of getting a full settlement by the end of the week were slim. But it was expected that even without an agreement there would by this time be a consensus on most points, and a general picture of who was prepared to trade what and for how much.

The four days of intensive talks in Luxembourg do not seem to have advanced matters and there is speculation that the problems may be slipping out of Mr. Gundelach's grasp.

In the past, his reliance on behind-the-scenes diplomacy, tackling Ministers individually to wear down rough edges and overstated demands before bringing them together, has worked well. Last week, it worked less well. Instead of fostering conciliation, the series of bilateral chats with the Commissioner appear to have encouraged certain Ministers to keep returning with fresh lists of demands, and to resurrect long-forgotten quibbles.

Over-receptive

While Mr. Gundelach can be tough when facing a full Council, he may perhaps be over-receptive when dealing with one Minister at a time. What will be the outcome when talks resume next week is anybody's guess.

Mr. Gundelach has from the outset committed himself to an average price rise of no more than 2 per cent. Despite concessions last week on beef and sugar prices, he still appears determined to resist pressure for higher milk and cereals prices than already proposed.

If he can lead Ministers to an agreement without yielding here, it will be a major triumph. If not, he may be able to console himself with the prospect of an effective price freeze on all farm products for some time to come.

Letters to the Editor

…ndependence …f Belize

…n the Premier of Belize.

…r.—I write to inform you and …ugh you the people of the …ed Kingdom of the firm …rmination of the people of …e to reach a secure inde- …lence with the preservation …ll its territory.

…is policy of my Government … overwhelming support, and … endorsed by resolution of a …) National Convention of … People's United Party held …elmopan on April 16.

…e resolution requests the …ed Kingdom Government to …immediately any discussions … the Government of Guate- … which include the idea of … cession as a means of …ment of the Anglo- …emalan dispute over Belize. …e resolution further re- …s the United Kingdom …rnment to adhere strictly …e relevant United Nations …ations calling for the early … secure independence of … with full sovereign and …orial integrity.

… Convention of the People's …d Party urges the Govern- … of Belize in co-operation … the United Kingdom and … friendly Governments to …ly pursue the alternative … to independence by con- …g suitable security arrange- … that will ensure the safety …e Belizean people and …rve the independence of …

…e Price.
… of the Premier.
…pan, Cayo District,
…, Central America.

…e working …eek

… Mr. F. Steiner.

…—The report published by …epartment of Employment …28) about the possibilities …ducing unemployment by …ning working hours is …t in pointing out the effect …ge inflation of a simple cut … working week. It might …ave added that a much … promising avenue for work … by shorter hours has … opened up by the recent … workers' settlement: I … to the introduction of a … operating week with a …y working week for the …ives.

… system of an extended …g week with shorter indi- … working hours is not new; …e last 20 years retail trade …anged over from a 5½-day …g/5½-day operating week …despread six-day trading … much shorter working … In the process consider- … additional employment … to be created, though prob- …uch of it in the form of … and part-time work. The … bakery workers' settle- … where the cutting out of …ay working allows six-day …ion to be continued, with …mediate saving of 2,000 …e jobs, shows that this … can be applied to in- … The customers are … off as well, and this would … equally to many service …ices and public services, … plant presumably operates … economically if it is run …onger number of hours per …

…he remedy for unemploy- … and at the same time …g operating costs would …o be a universal five-day …n industry, with the work … spread over the full six …ays. Variations within the … are of course possible: …ndustries might prefer to …alf the labour force em- … fully Monday through …, and the other half continuously Tuesday through Saturday: others might prefer a shift system whereby everybody worked every other Saturday and every second Monday.

The real breakthrough would come if this system were extended to all service industries and public offices, if correspondence from foreign customers for export departments and correspondence by individuals with public authorities, were dealt with on a six-day basis, and when nobody would ever have to take off time from his own work to look after personal affairs. There would be considerable social benefits, but from the purely economic point of view also cost saving and increased employment.

The real difficulty would appear to be purely psychological as the change would mean that "the week-end" would now be individuals' two-day or even three-day break, while work in the country as a whole would shut down only on Sunday.

F. M. M. Steiner.
59, Gresham Street, E.C.2.

Leasing cars

From the Group Tax Manager, Lex Service Group.

Sir,—Your survey on car leasing (April 28) was distressingly fuill of inaccurate or uninformed comment on the tax implications of leasing cars.

There are two major areas for complaint. Firstly, except where the lessee is paying tax on his current profits, and the car leased costs substantially over £5,000, there is no tax advantage in leasing. Secondly, it is not possible to obtain a tax-free capital sum at the end of the lease as suggested by Messrs. Wright and Garrett.

The Revenue can attack a lease with a low residual value in a number of ways, including disallowing the entire lease rental as a tax deduction since it is not laid out wholly and exclusively for the purposes of the trade; charging an employee who acquires the vehicle to tax on a benefit equal to the market value of the vehicle less the price paid; charging an appointee (other than an employee or relation of an employee) to tax on an "adventure in the nature of a trade"; and charging capital transfer tax if the car or the proceeds pass to the employee or director who originally used the car. In the interest of brevity, I will not list the other potential weapons in the Revenue's armoury.

Vehicle leasing is a valuable tool for general commercial reasons. The advertising of a few cowboy leasing companies has put at risk the entire structure of bona fide car leasing deals and the publicity given to non-existent tax advantages over the last year by all sections of the Press has perpetuated the myth. It is time that the facts, rather than the fiction, of car leasing were clarified.

T. Ring,
17 Great Cumberland Place, W.1.

The feathered serpent

From the Controller, Children's Programmes, Thames TV.

Sir,—On a point of fact, "The Feathered Serpent" is not aimed at a target audience of "young schoolchildren," but since it is transmitted in the later of our two half-hour slots, it is aimed at at 10-year-old upwards. At least the quotation which Chris Dunkley (April 26) gave (totally out of context) was, unlike the other quotes picked out, in good English.

I must, however, quarrel with his description of the quote as a "verbal obscenity." It was an evil threat (historically correct, but not visually executed) uttered by a consummate villain—played with great elan by Patrick Troughton—who will . . . but I must not reveal the ending! "The Feathered Serpent" is a rip roaring adventure in the style of Ryder Haggard, Kipling and Conan Doyle—and I at least have enough confidence in my audience to believe that they will see it as such. But should a persistent six-year-old ask questions as indicated by Mr. Dunkley, then I (or Vic Hughes, himself the father of a 10-year-old daughter) would explain the meaning of the words and the symbolic meaning (to the ancient Aztecs) of the deed.

Incidentally, there is no explicit or visual violence in the series. If we are speaking of mere words, then at least 90 per cent. of the works of W. Shakespeare Esq., playwright, are entirely unsuitable for children.

On another subject, I had rather hoped that critics might (after 10 years of Magpie's very different ethos) have abandoned the cheap jibe that it is a copy of "Blue Peter." Post hoc ergo propter hoc is an adage customarily used only by the desperate!

Sue Turner.
Thames TV, Teddington Studios, Teddington Lock, Teddington, Middlesex.

Advice on pensions

From the Director of Information, Company Pensions Information Centre.

Sir,—While agreeing with Mr. Newton (April 28) that employers need to consider the cost before deciding whether to contract-in or contract-out I think it is unfair to say this has been overlooked by both Eric Short in his article and the "pensions industry" in the advice it has given.

I am surprised Mr. Newton claims that the 7 per cent. reduction in national insurance contributions for those who contract-out (on the relevant slice of earnings) is insufficient to guarantee benefits as good as the earnings related part of the state scheme will provide. The cost of providing this level of benefit cannot be known in advance but the question of whether 7 per cent. is a reasonable figure has been discussed at very great length ever since the Government first produced a figure. The original figure was 6½ per cent. and in the face of some criticism this was later raised to 7 per cent.

Inside the "pensions industry" there has been remarkably widespread agreement that 7 per cent. is a fair figure for an average scheme. This means that for such a scheme cost considerations alone are unlikely to swing the balance heavily for or against contracting-out.

Mr. Newton goes on to say that the state scheme provides better benefits for this money since it is not looking for a profit which a private assurance company is. In terms of value for money it is not easy to compare occupational schemes with the state scheme as most of the former are funded in advance and the latter is "pay as you go."

I do wonder, however, just how many employers Mr. Newton has looked at. Many insurance companies have advised large numbers of their clients to contract-in on the basis that they felt such advice was in the best interests of their policyholders. Similarly many self-administered funds have contracted-out. Surely this cannot be the result of a widespread ignorance of the cost implications.

In addition, consulting actuaries, for example, charge fees which relate to the services they provide and they have no financial interest in persuading their clients to contract-out. Nevertheless, such firms felt that it was the right advice to give to many of their clients.

Mr. Newton says, quite correctly, that the Government has already announced that in future years the reduction in national insurance contributions for those who contract-out will be smaller than it is at present but this is neither new nor sinister. The principle was made quite clear when the terms for contracting-out were first published. It simply reflects the fact that over the years there will be a fall in the average amount of guaranteed minimum pension which a contracted-out scheme has to provide and this will affect the cost.

Of course these points do not constitute an argument that everyone should contract-out. There is a case for contracting-out and there is a case for contracting-in. Cost is a major factor that needs to be taken into account but it is not the only factor. That is why it was important for employers to seek expert advice. But to suggest that the consideration given to the vital factor of cost has frequently been inadequate is to under-estimate both the quality of the advice given by the great majority of expert advisers and the managerial ability of the employers who have had to act on that advice.

Michael Brown.
7, Old Park Lane, W.1.

Management pay

From the Managing Partner, Egon Zehnder International.

Sir,—At a time when Mr. Healey is failing in his Budget to fulfil his previous promises to restore incentives to middle managers and cut punitive top tax rates, the British Institute of Management's National Management Salary Survey (April 28) comes as a welcome reminder of what the facts really are. Our analysis of executive searches conducted in the last 12 months, reveals some additional points to those contained in the BIM survey, which may be of interest.

There has been an increasing requirement in the U.K. for senior executives to receive part of their salary paid overseas. This is because overseas compensation attracts a lower rate of taxation and this is therefore particularly advantageous with the present high U.K. tax situation.

There has been a considerable willingness of senior executives to leave U.K. jobs and go to inhospitable parts of the world in order to accumulate capital in order to save enough money for school fees.

Wage restraints in the U.K. have in particular been a major problem for senior executives in large companies. This has resulted in top men having to change jobs in order to increase their remuneration, and as a consequence, there has been a loss of cohesion and productivity all round.

Few top U.K. businessmen wish to return to the U.K. having served abroad. Sadly, and conversely, the U.K. is most attractive to non-British senior executives who get very favourable tax deals here—with the exception, perhaps, of American executives.

Britain desperately needs the best men in the top jobs, if our economy is ever to move forward in the right direction. Present Government policy is not encouraging this vitally important requirement.

R. A. B. Gowlland,
87, Jermyn Street, S.W.1.

To-day's Events

GENERAL

U.K. official reserves for April.

Capital issues and redemptions during April.

Mr. Takeo Fukuda, Japanese Premier, meets President Carter in Washington.

International Monetary Fund monthly gold auction, Washington.

India holds first of seven fortnightly gold auctions, New Delhi.

Lucas subsidiaries charged with Rhodesian sanction-breaking, County Hall, Aylesbury.

PARLIAMENTARY BUSINESS

House of Commons: Wales Bill.

House of Lords: European Assembly Elections Bill, third reading. Scotland Bill, committee. Medicines (Radioactive Substances) Order 1978.

Select Committees: Nationalised Industries (sub-committee B). Subject: Re-organisation of electricity supply industry. Witness: Mr. Anthony Wedgwood Benn, Energy Secretary (10.45 a.m., Room 8). Nationalised Industries (sub-committee C). Subject: Independent Broadcasting Authority. Witnesses: Institute of Practitioners in Advertising; Association of Broadcasting Staff (4 p.m. Room 8). Unopposed Bills Committee on London Transport Bill (4 p.m., Room 9). Parliamentary Commissioner for Administration. Subject review of access and jurisdiction. Witnesses: Justice (5 p.m., Room 7). Race Relations and Immigration. Subject: Effects of EEC membership on race relations and immigration. Witnesses: Home Office officials (5.30 p.m., Room 5).

COMPANY RESULTS

Laporte Industries (full year). Marks and Spencer (full year). Peninsular and Oriental Steam Navigation (full year). J. Sainsbury (full year).

COMPANY MEETINGS

Allen Harvey and Ross, 45, Cornhill, E.C., 12.30. British Anzani, Aylesford, Kent, 11. Cartwright (R.), Chamber of Commerce, Birmingham, 12. Fairclough Construction, Midland Hotel, Manchester, 11.30. Ford (Martin), Winchester House, E.C., 12. High Gosforth Park, Newcastle, 12. Lambert Howarth, Burnley Crest Motel, 12. McKay (Hugh), Royal County Hotel, Durham City, 12. Pittard, Manor Hotel, Yeovil, Somerset, 12. Schroders, 120, Cheapside, E.C., 12.15. Scottish Road Services, Cumbernauld, Glasgow, 10. Thurgar Bardex, Kettering, Northants, 11.30. United States Debenture Corporation, Austral House, E.C., 2.15.

COMPANY NEWS + COMMENT

Laing well above forecast with £21m.

ON TURNOVER of £421m. against £406m. taxable profit of John Laing and Son jumped from £16.25m. to a record £21.07m. in 1977. This compares with the midway forecast of not less than £18.5m.

The 1976 result was reduced by a £2.24m. provision for the reduction in value of development land.

After tax of £7.7m. (£7.83m.) and minority interests of £103.000 (£115.000), attributable profit was £13.47m. (£8.53m.). Tax was reduced £2.68m. (£1.96m.) by adoption of ED19.

Earnings per 25p share of the building and civil engineering contracting, building materials and property development group, are shown at 13.8p. and the final dividend of 1.86875p net takes the total to a maximum permitted 3.11875p against 2.82375p.

Directors point out that results in any one year are influenced by the particular contracts completed or approaching completion.

The incidence of such contracts was particularly beneficial in 1977 for overseas work, which showed a substantial turnround compared with 1976, even though new contracts have still not been obtained to the extent hoped for.

U.K. results showed some evidence in the construction and manufacturing activities of the difficult conditions which have existed in the industry over recent years and which are only just beginning to show some sign of improvement.

The directors have again carried out an internal valuation of investment properties which shows an aggregate open market value of £55.5m., compared with total book value of £47.9m. The resulting surplus is not incorporated in the accounts.

A breakdown of trading turnover in £m. and profit before provisions and tax in £000s shows: U.K.: Building and engineering turnover 294.7 (284.4) and profit 8,031 (10,526); construction materials 25.0 (22.0) and 2,531 (3,000); property development 14.9 (8.9) and 1,585 (1,244); property investment nil (nil) and 3,762 (3,129). Overseas: Construction 84.2 (88.8) and 4,200 (loss 137); property investment nil (nil) and 836 (635).

	1977 £000	1976 £000
Turnover	421,000	406,000
Property inv. income	4,598	3,755
Trading surplus*	16,469	14,701
Provision†	—	2,238
Profit before tax	21,067	16,250
Tax	7,703	7,834
Net profit	13,364	8,416
Minorities	103	115
Extraordinary losses‡	1,410	[illegible]
Retained	10,892	7,250

* After depreciation of £4.10m. (£2.75m.). † For reduction in value of development land. ‡ Profits.

See Lex

INDEX TO COMPANY HIGHLIGHTS

Vernon Fashion doubled

TURNOVER, excluding VAT, for the year to January 28, 1978, at Vernon Fashion Group expanded from £7.16m. to £10.68m. and pre-tax profits more than doubled from £0.61m. to a rcord £1.26m.

In November, reporting first half profits up from £141,286 to £203,489 the directors forecast full year profits substantially ahead of those for 1976-77.

After tax, on the ED19 basis of £202,726 (£53,539 restated) the retained balance is £935,269 (£453,139).

The dividend total is raised from 2.7462p to the maximum permitted 3.0673p net per 10p share with a final of 1.662p. A one-for-one scrip issue is also proposed.

The directors now say the growth has come both from an increase of turnover in existing stores, and has been compounded by the opening of 16 new stores.

At year end the company had 103 retail branches, stretching from Dundee in the North to Plymouth in the South.

The results reflect the successful programme of investment over the last two years in upgrading and enlarging the existing stores as well as the addition of new sites.

This programme is continuing: four stores have been opened since the year end and six further stores are planned to open within the next three months.

Were it not for dividend controls the Board would have proposed a substantially greater evlel of dividends to reflect the increased and new level of profitability.

In the current year, sales are substantially ahead of those for the comparable period last year, they add.

● comment

Vernon Fashion's impressive growth rate since going public in 1971 has continued during 1977/8, with profits more than doubled on sales almost 50 per cent. higher. Stripping out the 16 stores opened during the year, turnover is a fifth higherat a time when sales of women's, girl's and infant's clothing (including drapery) in multiple shops are barely keeping up with inflation. Vernon is almost exclusively a retailer of ladies' and children's outerwear (low-to-middle end of the market), with its manufacturing needs supplied by sub-contractors. Competitive prices have boosted volume, and margins are more than three points higher. Meanwhile, the group is stepping up its programme of organic growth—retail selling area is 175,000 square feet (80 per cent. of which is in the north of England) and there are plans to increase this to perhaps 230,000 square feet this year at a cost of around £1m. There should be no problem in financing this out of cash flow. The shares, which jumped 8p to 98p, are on a p/e of 3.6 while the yield is 4.8 per cent. This compares with 13.7 and 4.4 per cent. respectively for the stores sector.

FOREIGN AND COLONIAL INV.

Foreign and Colonial Investment Trust has arranged a new one year loan of $U.S.3m. with Morgan Guaranty Trust Co. of New York. The proceeds have been used to repay a borrowing of $3m. which matured on April 28, 1978.

Arenson growth at halftime

On turnover ahead from £4.71m. to £5.71m. taxable profit of A. Arenson (Holdings), office furniture and equipment maker, climbed from £161,000 to £278,000 in the January 31, 1978 half year.

The result is subject to tax of £40,000 (£37,000), and earnings per 10p share are shown at 4.16p against 1.7p last time.

The interim dividend is up from 0.6289p to 0.69179p, and directors forecast an increase in the final payment from last year's 1.2826p. Total profit last year was £470,000 and a healthy profit growth is expected for all this year.

Mr. Archy Arenson, the chairman, says the improved trading illustrates that the business is not dependent on new building developments but comes to a great extent from requirements for replacement furniture and fittings.

In his annual report last November Mr. Arenson registered a cautiously optimistic note for the current year and said that he expected the momentum achieved last year would be maintained and further satisfactory progress would be made.

● comment

Arenson is still on the recovery trail. A first half improvement in taxable profits to £278,000 should help the group turn out around £750,000 for the full year compared with £470,000. So at 30p the shares stand on a prospective p/e of 3.5 (on fully taxed earnings) or 4.4 on a similar tax charge to the previous year. However it has not been an entirely smooth path in the first six months. Exports, which account for around 17 per cent. of sales, showed little growth in real terms. Demand in the French and Benelux markets, which take a third of export sales, was weak, and also in the Middle East which accounts for another third of export sales. In the U.K., office equipment sales were supported by a firmer trend in flat pack furniture, and this is reflected in the overall 16 per cent. increase in volume. For the current half year the group will see the full benefits of a 10 per cent. price rise, which only took effect in November. But the shares, standing at around their high for the year, seem to be allowing for this. The yield is an above average 6.5 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
A. Arenson ...int.	0.69	Aug. 1	0.63	—	1.91
BHS	3.47	July 3	3.1	6.27	5.62
Boustead	0.8	—	0.8	1.5	1.5
Bremner and Co.	2.8	July 7	2.8	3.82	3.8
Brit. Inds. & Gen. Inv. int.	1.5§	June 9	1.05	—	3.4
Clement Clarke (Hldgs.)	1.23	—	1.13	2.16	1.94
CLRP Inv. Trst. ...int.	0.8§	—	0.6	—	1.9
Davies & Newman	4.87	Aug. 1	4.38*	7.8	6.54*
Drayton Consd. ...int.	2§	May 26	1.23	—	4.7
El Oro ...int.	1.09	Oct. 4	0.99	1.09	0.99
Exploration Co. ...int.	0.54	Oct. 4	0.49	0.54	0.49
First Castle Secs.	1.49	June 21	Nil	1.98	Nil
John Laing & Son	1.87	—	2.07	3.12	2.82
Minty	2.73	July 7	2.32	4.23	3.82
Photax (London)	1.52	June 9	1.28	2.72	2.44
Roberts Adlard	2.73	July 3	2.46	4.32	3.9
Scott & Robertson	1.83	July 10	0.92	2.74	1.83
Scottish Northern	2.46‡	June 15	1.99	3.66	2.8
Vernon Fashion	1.66	Jan. 26	1.63	3.07	2.75
Wadham Stringer	1.21†	June 24	0.84	2.2	1.36
W. Williams and Sons ...	0.63	—	0.5	1.13	1

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Comprises 2.16p for year to February 5, 1978, and 0.3p for period from February 6 to March 31, 1978. § Increased to reduce disparity with final.

Wadham Stringer ahead £1.11m. to peak £3.36m.

PRE-TAX profits of Wadham Stringer, retailer and distributor of cars and commercial vehicles, advanced from £2.25m. to a record £3.36m. for 1977 after £1.51m. against £1.13m. at halfway. And the directors say that 1978 has started with further improved results, and with prospects looking good in a larger car and commercial vehicle market, they forecast satisfactory results for the year.

On increased capital from last year's rights issue, stated basic earnings per 10p share are 6.57p (4.02p) and fully diluted 5.97p (4p). With Treasury consent the dividend is lifted to 2.2p (1.3585p) with a final of 1.21p net, as forecast.

	1977 £000	1976 £000
Turnover	134,831	107,669
Trading profit	4,458	3,487
Shares of assoc.	13	—
Interest payable	1,116	1,191
Profit before tax	3,355	2,246
Tax	1,549	1,135
Net profit	1,806	1,111
To minorities	54	37
Extraord. credits	117	—
Earnings	1,869	1,181
Preference divs.	38	39
Ord. interim	280	135
Ord. final	361	230
Retained	1,290	778

The company's freehold and leasehold properties were revalued and showed a surplus of £5,747,000, which has been included in the consolidated balance sheet.

The equity interest for the Ordinary shareholders now stands at £18,617,000 and this gives net assets per share of 59p as at the end of 1977.

● comment

Wadham's profits are up nearly 50 per cent. Cars set the running with a 41 per cent. increase in trading profits but the truck division proved a drag. New truck sales showed a 2 per cent. increase in volume (cars remained static) but there was a near quarter drop in trading profits reflecting margin pressures on the Leyland range which is coming towards the end of its life.

The outlook for 1978 is promising. The first quarter showed a 35 per cent. jump in vehicle volume (30 per cent. excluding the Skellys' acquisition) and though this was boosted by a Leyland promotion the flow of Leyland vehicles is better than it has been for a long time. Skellys, which takes WS into Fords for the first time, could chip in over £330,000 and a target range of £4m. to £4½m. is right for 1978. The rights proceeds have been used for the Skellys purchase, but with net cash of £2.84m. and a strong balance sheet WS is on the look out for more acquisitions. Further Ford franchises are likely, Vauxhall is being considered, and another arm to its manufacturing interests (currently boats and ambulances) is possible. Ultimately WS sees half its profits arising from cars and half from manufacturing and commercial vehicles. Meanwhile, the shares are fair value at 42½p, on a fully diluted p/e of 6.9 and yield of 8.1 per cent.

Bremner declines to £462,604

After a decline from £237,793 to £195,777 at midway, pre-tax profit of Bremner and Co., the general warehousing concern, fell further in the second half to end the year to January 31, 1978 down at £462,604, compared with £583,173.

Tax takes £238,466 (£304,018), which includes £70,512 transferred to deferred tax. A final dividend of 2.8p net raises the total for the year from 3.8p to 3.815p per 25p share.

Second half recovery by Minty

A second-half recovery meant pre-tax profit of Minty, the furniture manufacturing concern, marginally improved from £187,902 to £189,982 for the year to January 28, 1978, after a £29,354 downturn to £43,990 at mid-way.

After tax of £100,745 (£96,438), net profit for the year was slightly lower at £89,237 (£91,464). A final dividend of 2.726p net lifts the total from 3.819p to 4.226p per 25p share.

BHS improves 6% to top £27m.

ON SALES, including VAT, of £273.6m. against £244.3m., British Home Stores reports taxable profits up by 6 per cent. from £25.5m. to a record £27.02m. for the 52 weeks to April 1, 1978. After 24 weeks, profit was ahead from £7.64m. to £8.4m. and directors said that sales in the second half would benefit from new stores in Leeds and Dublin.

Profit to sales margin for the year is down from 10.4 per cent. to 9.9 per cent.

Earnings per 25p share are shown as 12.39p (11.88p) and the dividend is stepped up to 6.2729p (5.6163p) with a net final of 3.4729p.

	1977-78 £000	1976-77 £000
Sales	273,569	244,326
Trading profit	22,270	24,939
Net interest received	943	1,707
Depreciation	4,721	4,218
Pension fund	949	905
Employees' shr. schm.	300	—
Associates losses	221	18
Profit before tax	27,022	25,498
Tax	14,354	13,343
Net profit	12,668	12,155
Extraord. credit	147	250
Making	12,815	12,405
Preference divs.	21	21
Ordinary interim	2,559	2,569
Ordinary final	3,546	3,165
Retained	6,389	6,650

See Lex

Banro Consd. confident

First half results of 1978 will be ahead of the corresponding period in 1977, and the second half is looking very good, Edward Rose, chairman of Banro Consolidated Industries, [told share]holders at the annual meeting. He was looking forward to the future with considerable confidence.

Boustead rises to £1.89m.

AFTER RISING from £0.5[…] to £0.83m. in the first half, pre-tax profits of Boustead, which imports and exports consumer and industrial products, etc., finished ahead from £1.55m. to £1.89m.

Earnings are shown at […] (3.11p) per 10p share. The dividend is held at 1.5p net with a final of 0.8p.

In the Far East the Singapore companies contributed increased profits over the previous year as did the plantations, whereas Australian and New Zealand companies were affected by adverse trading conditions in the second half.

The U.K. companies continued the marked improvement in profitability.

The directors state that group trading results for the first quarter of 1978 are up to expectations, earnings in Australia and New Zealand are lower than last year.

ISSUE NEWS

Yearlings reach $9\frac{1}{4}$%

The coupon rate on this week's batch of local authority yearling bonds has risen by half a point to 9¼ per cent.—a new high for the year. The bonds are issued at par and dated May 9, 1979.

The issues are:—Eastbourne Borough Council (£¼m.), Northampton Borough Council (£¾m.), City of Glasgow District Council (£1m.), Corporation of London (£1m.), Copeland Borough Council (£½m.), London Borough of Ealing (£1½m.), Cambridgeshire County Council (£¼m.), London Borough of Lewisham (£1m.), Chelmsford Borough Council (£½m.), Dudley Metropolitan Borough Council (£1m.), Epping Forest District Council (£½m.), Royal Borough of Kensington and Chelsea (£¼m.), London Borough of Islington (£1m.), North Wiltshire District Council (£¼m.), Orkney Islands Council (£½m.), East Staffordshire District Council (£½m.), Waveney District Council (£½m.).

The Chelmsford Borough Council is raising £½m. of 10⅞ per cent. Bonds dated April 30, 1980 at par. Bridgnorth District Council is raising £¼m. on the same terms.

Mendip District Council is raising £½m. of 11⅛ per cent. bonds dated April 29, 1981 at par.

The following variable rate bonds have been issued. London Borough of Croydon (£1m.) dated April 29, 1981: West Oxfordshire District Council (£½m.), April 28, 1982: Central Regional Council (£¾m.) and City of Nottingham (£½m.), April 27, 1983. All the variables are issued at par and with interest calculated at ⅜ of a point over Libor.

SAVINGS BONDS CONVERSION

The Treasury announce that a conversion offer will be made to holders of 8½ per cent. British Savings Bonds (first subscription issue) issued between May 1, 1972 and September 1, 1973. These bonds will mature on September 1, 1978 and are repayable on application at £103 per cent. at maturity.

Holders of such bonds are invited to exchange their holdings into 8½ per cent. British Savings Bonds (third conversion issue) which will be repayable on application at £104 per cent. at maturity.

Holders who decide not to accept the conversion offer should apply for repayment.

Quick scrip

Ford main dealer, H. and J. Quick, is proposing a scrip issue of preference shares, a one-for-[…] scrip of ordinary 5p shares and consolidation of the ordinary shares into 10p shares.

Ten per cent. Cumulative preference shares of £1 will be issued to ordinary stockholders in the proportion of one for every […] stock units of 5p each held on April 24.

The ordinary and preference stock will be redesignated ordinary and preference shares.

At present the existing issued capital amounts to £373,000 including £100,000 in 4.9 per cent. cumulative redeemable £1 preference shares and £7,000 of 3.85 per cent. of cumulative £1 preference shares. These two categories remain unchanged under the proposals, which will increase issued capital to £1,122,836. [This] will include £483,836 of the preference capital plus ordinary shares issued under the scrip doubling that class in issue to £532,000.

Dealings in the new shares are expected to start on May 30. An extra-ordinary general meeting is called for May 25.

Davies & Newman slumps £1m. to £0.8m.

WITH AIRLINE company contributions cut by air traffic control disputes in the U.K. and the continent, taxable profits of Davies and Newman Holdings dropped from £1.88m. to £0.8m. in 1977, despite turnover climbing from £79.4m. to £100.65m.

At half-time, when a reduced loss of £0.98m. against £1.41m. was reported, a lower overall result for 1977 was forecast.

Mr. F. E. F. Newman, the chairman, says that this was all the more disappointing in view of the high level of activity prevailing in the airline companies and the earlier expectations of previous profit levels being exceeded.

As well as the controllers strikes, fluctuations in foreign exchange and interest rates also had a considerable influence on profit levels. The group also lost a Boeing 707 cargo jet in May which increased costs.

These adverse factors were offset to some extent by lower depreciation charges on aircraft and related spares.

After tax of £464,000 (£1.03m.) and minority interests of £5,000 (same), earnings per share are shown at 6.9p (17.4p). A final dividend of 4.86882p net per 25p share takes the total to 7.30356p against 6.539p last time, after adjustment for a one-for-ten scrip issue.

For the future Mr. Newman says that since the end of the year two further Boeing 727/100 series aircraft have been added to its fleet and further contracts have been concluded for HS 748 aircraft for work in support of North Sea operations.

The leased Boeing 707 freighter is being returned to its owner and further changes are planned which should concentrate group activities and produce better financial results.

In spite of the shipping recession, the shipbroking company should continue profitable and, given satisfactory summer flying in line with our budgets, the group should return to greater profitability in 1978.

	1977 £000	1976 £000
Turnover	100,652	79,404
Operating profit	937	1,730
Invest. income	287	[illegible]
Interest payable	460	434
Associated profits	38	3
Profit before tax	802	1,882
Tax	464	1,032
Net profit	338	850
To minorities	5	3
Attributable	333	843
Interim dividend	118	105
Final	237	†212
Less dividends waived	47	—
Retained	25	526

† Second interim.

Meeting, Essex Room, E.C., on June 1 at noon.

Yorks. General bonus raised

Yorkshire General Life Assurance, a member of the General Accident Group, has declared higher rates of interim bonus on its with-profit business as from May 1. On ordinary life policies, the rate for contracts taken out since November 9, 1970 and for certain policies effected before that date, the rate is lifted to £5.40 per cent. per annum of the sum assured from £5.20 per cent.

On all personal pension contracts and single premium deferred annuities (except [the] money purchase plan) the [new] bonus rate is £6.40 per cent. per annum of the basic benefit [and] attaching bonuses compared with £6 previously. On annual premium deferred annuities the new rate is lifted to £5.30 per cent. compound from £5 per cent.

Terminal bonus rates for ordinary life policies remain unchanged. But the company is introducing a terminal bonus on pension contracts, to be added when the contract vests and the pension becomes payable. The rate is to be 10 per cent. of all attaching bonuses, including interim bonuses. The intention is that the rate will vary from time to time to reflect financial conditions.

The company has also made some upward adjustments to premium rates for with profit endowments for terms under […] years and to its whole life rates at the higher ages.

The New Zealand Insurance Company (U.K.) has declared an unchanged reversionary bonus rate for 1977 of £2.75 per cent. of the basic benefit plus attaching bonuses on its with profit contracts. The interim rate for 1978 is at the same level.

[illegible]

Eagle Star warns on U.K. fire profits

[W]ARNING that profitability [of] U.K. fire insurance would [dete]riorate is given by Sir Denis [Moun]tain, chairman of Eagle Star [Insur]ance Company, in his annual [state]ment.

[He] points out that although fire [busin]ess was again profitable in [1977] despite the firemen's strike, [c]ompetition in the U.K. for [busin]ess, from both U.K. and [foreig]n insurers had been inten[se], especially as there was [little] new business available [becau]se of the low level of eco[nomic] growth. Companies sub[scribi]ng to the Fire Offices' Com[mittee] tariffs had again reduced [premi]um rates for many classes [of ris]k and reduced profitability [seeme]d likely to follow.

[The] all-in account in the U.K. [contin]ues to give cause for con[cern], states Sir Denis, although [the l]oss last year at £4.5m. had [been] reduced from that of 1976 [when] it amounted to £5.8m. The [Janua]ry storms would cost the [group] £1m. which had been pro[vided] for in the 1977 accounts, [in acc]ordance with normal prac[tice]. Apart from storm damage, [losses] through subsidence, van[dalism] and burglary continued at [a hig]her rate than previously [experi]enced and he expected the [return] to profitability to be slow. [The g]roup had introduced a new [index-]linked policy that should [help t]o solve the main problem [of und]er-insurance. But he warns [that e]xisting rates charged for [b]uildings and contents may [have t]o be increased.

[The] expansion of the U.K. [motor] account was progressing as [plann]ed and there were plans for [furthe]r development in this [curren]t year. But the number of [claims] was higher than expected, [ri]sing by 18 per cent., result[ing in] a loss of £2.7m. compared [with £]0.2m. in 1976. This higher [numbe]r of claims reflected the [bad w]eather and the higher levels [of m]otoring activity by the [genera]l public.

[Sir] Denis reports a substantial [impro]vement in underwriting [results] overseas, with profits recorded in many territories. In Belgium, claim ratios had been brought more under control and attention was being given to expense levels. But this was likely to be a long job. Business in Australia was developing steadily, but this market was beset by fierce and unrealistic competition.

On long-term business, premium income rose by 57 per cent. to £167m. and investment income by 21 per cent. to £82m. Claims and expenses were £6m. higher and the funds increased by £158m. during the year to £932m. Sales of single premiums were particularly buoyant in 1977, with the two series of Income and Growth Bonds being extremely successful. But new annual premium business only rose by 2 per cent. following the record growth of 1976.

There was a further large increase last year in the cash flow of funds, particularly the life fund. Greater emphasis was placed on gilt investment and there was selective additions made to the equity portfolio. But no significant additions were made to the commercial property portfolio following the activity in 1976.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—J. A. Devenish.

Finals—British Investment Trust, Continental Union, Feb International, Grovebell, Haden Carrier, Laporte Industries, Marks and Spencer, Marshall's Universal, Nurdin and Peacock, Peninsular and Oriental Steam Navigation, Photax (London), J. Sainsbury.

FUTURE DATES

Interims—

Alroyd and Smithers	May 10
Fundinvest	May 4
G. R. (Holdings)	May 5
Hall Bros. Steamship	May 9
Investors Capital Trust	May 9
M and G Group (Holdings)	May 31
Osborn (S.)	May 4
Pearce (C. H.)	May 8
Richards	May 9
Whitehouse (George)	May 10
Wolverhptn. and Dudley Breweries	June 1

Finals—

Aberdeen Construction	May 4
Ayrshire Metal Products	May 25
Cohbread Robey	May 15
Costain (Richard)	May 9
Heath (C. E.)	May 16
Highcroft Investment Trust	May 11
Lesney Products	May 9
Moss Bros.	May 3
Queens Moat Houses	May 10
Sabah Timber	May 8
Scott's Restaurant	May 4
Seccombe Marshall and Campion	May 16
Sunlight Service	May 11
Usher-Walker	May 8
Warrington (Thomas)	May 3
Wire and Plastic Products	May 9

First Castle climbs to peak £138,000

Continued progress was achieved by First Castle Securities, a subsidiary of Connor Finance Corporation, in the year to January 31, 1978, with taxable earnings expanding from £71,924 to a record £138,705.

Turnover by the group, which has interests in the renovation and resale of pianos and the retail music trade, jumped from £170,954 to £650,393.

Half-time profit was better at £48,156 (£29,679) and the company returned to the dividend list with an interim payment of 0.4949p per 10p share. Together with the final of 1.4851p now proposed, this takes the total for the year to 1.98p (nil).

After tax of £56,511 (£24,981) earnings per share for 1977-78 emerged at 3.5p (2p).

The directors say that they continue to seek suitable opportunities for further expansion and the company's resources are suitably structured to take full advantage of any such opportunity which may arise.

This time a surplus arising on the sale of shares in Leisure and General Holdings was included as an extraordinary credit

Low & Bonar flax cutback

LOW AND BONAR is sharply cutting back its flax activities and closing down the operations of two of its engineering subsidiaries.

In their divisional reports, directors say that the traditional textile operations of bagmaking and flax weaving have been declining over many years, and in the November 30, 1977 year, fell to uneconomic levels.

Bagmaking was closed down in November and flax weaving will cease operations this month. Flax spinning will continue on a reduced scale to supply Craiks and Wemyss Textiles—two companies acquired during 1977—as well as external customers. Substantial closure costs are expected on the flax operations.

Logan Engineering and Dudhope Engineering both made substantial losses in 1977 despite efforts by all employees to improve matters.

The losses have continued into 1978 and with no prospect of any improvement in the future it has been decided to close down the operations. This should be completed by the end of this month.

Directors say that in the packaging division it is doubtful there will be any improvement on the conditions of fierce competition and surplus capacity in Canada. The Canadian companies have initiated cost cutting measures, the major one being the closure of the Vancouver manufacturing plant and the transfer of production to Calgary.

On the outlook for 1978, Mr. Alan J. M. Miller, the chairman, says he is optimistic about the group's prospects. "We have entered 1978 with order books and sales at a reasonably high level, although margins continue under pressure."

With the U.K. packaging companies, action is being taken to make the paper bag operation profitable, but the full effect will not be felt until 1979. Overheads and manning levels are being reduced where necessary throughout the division, and some £2m. is being spent on capital goods.

In engineering, the appreciation of sterling is expected to make overseas markets more competitive and put presure on margins. The achievement of budgeted profits will depend on the ability to recruit sufficient skilled technical staff and operatives.

The outlook for textiles is uncertain with no sign of a significant upturn in consumer demand in the U.K. Re-equipment programmes will continue but the benefits will not be fully realised until 1979. Prospects in Africa are mixed.

In the Flotex division, new products have been developed and these are expected to be marketed late in 1978.

During the year total net assets increased from £40.55 to £48.83m., and there was a £4.19m. (£1.65m.) decrease in net liquid funds in the period.

£2.2m. revenue for Scottish Northern

Pre-tax revenue of Scottish Northern Investment Trust for the period from February 3, 1977 to March 31, 1978, came to £2,170,177, compared with £1,718,781 for the previous 12 months.

After tax of £774,312 (£630,683) stated earnings for the period were 3.86p (3.98p) per 25p share. The dividend total is raised to 3.66p (2.8p) net, with a final of 2.46p, which comprises 2.16p for the year to February 3, 1978 and 0.3p for the period from February 8 to March 31, 1978, the latter being a full distribution of net revenue after tax received in that period.

Workload at Newarthill still below optimum

IN HIS first annual statement as chairman of Newarthill, Mr. T. R. Grieve reports that construction turnover and profit continue at the expected moderate level reflecting the general condition of the industry, while workload is still at a lower level than the directors would wish.

The property and investment sector is being further expanded as opportunities present themselves both at home and in North America, where the group has embarked upon residential developments in conjunction with local partners.

A 22 per cent. stake in County and District Properties has been acquired: however the directors do not intend to increase the group's present shareholding, which was acquired in a single block.

The group also purchased a 50 per cent. interest in Humberoak Offshore, an offshore-engineering company based in Aberdeen. The group intends to participate in the activities of this company, now renamed McAlpine Humberoak, which offers a full maintenance service for offshore oil and gas installations.

With the knowledge and experience gained from concrete oil and gas production platforms, the group is now substantially involved in the design of sub-sea production systems which will extend the present operational limit into much deeper waters, says Mr. Grieve.

The group has obtained with U.K. partners substantial EEC grants to further its design and research activities and having led the U.K. field in concrete gravity platforms, it intends to maintain its lead as techniques develop, he adds.

As reported on April 18, pre-tax profit jumped from £5,235,818 to £11,348,308 for the year to October 31, 1977.

The exceptional result arose mainly in the McAlpine construction sector, and was attributable to three factors, the chairman points out.

First, a final settlement in respect of the Brent C and Cormorant A North Sea platforms which recouped to some extent the heavy losses suffered during the period of these two contracts. Second, the payment of substancial claims on certain other completed contracts and finally, satisfactory results from many other contracts in progress during the year.

However, the chairman is still unable to report any early prospect of further orders for oil platforms in concrete. Although the heavy programme of platform building which was envisaged five years ago and which encouraged the company to construct a large establishment at Ardyne on the west coast of Scotland has not at present given further construction opportunities, the facility is being maintained in a state of readiness and every effort is being made to secure orders for any floating concrete structure which might be required, he adds.

The completion of the three concrete platforms which collectively provided in monetary terms the largest volume of work, on a single site, in the company's history inevitably resulted in a reduction in turnover which has continued in the current year.

Mr. Grieve reports that in the property and investment division only slow progress is being made, in a difficult market, with the letting of the office development in Bristol, but further progress has been made with the long-term warehouse project in Hayes.

Meeting, Imperial Hotel, W.C., May 25, 12.30 p.m.

Robts. Adlard falls £96,885

On turnover ahead from £7.94m. to £9.06m. pre-tax profits for 1977 of Roberts Adlard and Company, builders' merchants, fell from £648,982 to £532,097 and after tax of £290,051 against £340,267 net profit emerged as £262,046 compared with £308,715.

Earnings per 25p share are shown as 11.62p (12.76p) and the dividend is increased to 4.3165p (3.90175p) with a final of 2.7285p net.

Scott and Robertson improves

WITH AN improvement in trading conditions in the second half, Scott and Robertson—which manufactures jute, textiles, etc.—finished the year to February 24, 1978 with pre-tax profits of £522,203 against £785,899 after a fall from £267,095 to £125,319 in the first six months.

There is no full year tax charge compared with £371,073 and earnings are shown to be up from 8.3p to 10.47p net.

The dividend total is hoisted from 1.829p to 2.744p net per 25p share with a final of 1.83p. The Treasury has agreed to the increase in context of the rejection of the bid by Fairbairn Lawson.

The directors have revised their accounting policy relating to deferred tax in accordance with ED19. They have taken the view that the amount set aside for deferred taxation up to February 25, 1977 is adequate to cover any reverse timing differences that are likely to arise in the foreseeable future and that no further transfer to deferred tax need presently be made.

Due to capital allowances and stock relief no liability to corporation tax arises in respect of 1977-78

[M]ONEY MARKET

[I]ncreased pressure on rates

[Ban]k of England Minimum [Len]ding Rate 7½ per cent. (since April 11, 1978)

[Cont]inued strong upward pres[sure] on interest rates in the [Londo]n money market produced [furthe]r problems for the authori[ties y]esterday. Any rise above [the lev]el of 7½ per cent. in Bank [of E]ngland Minimum Lending [Rate] set at the time of the [Budge]t, is obviously unwanted [from] the official point of view, [but m]arket sentiment appeared [stro]ng towards a rise to at least [8 per] cent. in MLR in the [imme]diate future.

[Disc]ount houses buying rates [for th]ree-month Treasury bills [remain]ed firmly above the trigger point for a rise in MLR, at around 7⅝-7¾ per cent., but other interest rates were considerably higher, leaving a very large differential between Treasury bill rates and buying rates for three-month eligible bank bills at 8⅛-8¼ per cent. The yield on three-month sterling certificates of deposit rose to 8⅝-8½ per cent. from 8⅜-8¼ per cent.

Under these circumstances, discount houses showed little willingness to bid for early funds yesterday, and indicated by their general demeanour a wish to sell as many bills as possible to the authorities in the afternoon.

In an attempt to calm the market, the authorities bought an exceptionally large amount of Treasury bills from the houses and a small number of local authority bills, probably overdoing the amount of assistance.

Banks brought forward rundown balances from Friday, there was a substantial net take-up of Treasury bills to finance, and the market was also faced with a sizeable rise in the note circulation. On the other hand Government disbursements slightly exceeded revenue payments to the Exchequer.

Discount houses picked up late balances at 4-5½ per cent., and money was available at 4-5 per cent. in the interbank market at the close, having commanded 7¼-7¾ per cent. at lunch-time.

[illegible]	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
[illegible]	—	4-7¼		—	—	7⅛	4-6½	—	—	—
[illegible]	—	—	7⅛-7⅛	—	—	—		—	—	—
[illegible]	—	7⅜-7¾	7½-7¾	—	7⅝-8	7⅝	5¾-6½			—
[illegible]	7⅞-7⅞	7¾-8⅛	7⅝-7⅞	8⅛-8⅛	8-⅜	7⅞	6¾-6⅞	6⅞-6⅞	7⅝-7⅞	8⅛
[illegible]	8⅛-8⅛	8-⅜		8⅜-8⅛	8¼-⅞		⅞	7-⅛	8-8⅛	8¼
[illegible]	8⅝-8½	8⅝-9	8⅛-8¼	8⅞-8⅝	¾-9¼	9⅛-9¼	7¼-7½	7⅛-7¼	8⅛-8½	8⅞-9
[illegible]	9⅛-9⅛	8⅞-9⅜	8¾-9⅜	9⅛-8⅞	9¼-⅜		—	—	8⅞-9	9¾
[illegible]	9¼-9	9⅛-⅜		9¼-9¼	9⅜	—	—	—	—	—
[illegible]	9⅛-9⅛	9⅛-9⅝	9¼-⅜	9⅝-9⅝	9⅞	—	—	—	—	—
[illegible]			10⅞							

[Loca]l authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate [nominall]y three years 11-11¼ per cent.; four years 11¼-11½ per cent.; five years 11½-12 per cent. ♦Bank bill rates in table [are buyi]ng rates for prime paper. Buying rates for four-month bank bills 8¼-8⅜ per cent.; four-month trade bills 9¼ per [cent.]

[Appro]ximate selling rates for one-month Treasury bills 6 13/16-6 15/16 per cent.; two-month 6 15/16 per cent.; and three-month [7 per ce]nt. Approximate selling rate for one-month bank bills 7¼ per cent.; two-month 7 15/16 per cent.; and three-month [8⅛ pe]r cent. One-month trade bills 8¼ per cent.; two-month 8½ per cent.; and also three-month 8⅞-9⅛ per cent.

[Fina]nce House Base Rates (published by the Finance Houses Association) 7½ per cent. from May 1, 1978. Clearing Bank [Deposit] Rates (for small sums at seven days' notice) 4 per cent. Clearing Bank Base Rate for lending 7½ per cent. Treasury [Bills: A]verage tender rates of discount 6.9868 per cent.

Prudential

Chairman reports Group profit up 30%

The following extracts are taken from the Annual Statement for 1977 by the Chairman, Mr. R. H. Owen.

In 1977 the Group profit available for distribution, at £31.9m, shows a 30 per cent increase over last year's total of £24.4m. Your Directors have declared dividends for the year which . . . amount to 10.07p per share. This is an increase of 10 per cent over 1976.

Group expansion continues The steady increase in profits from the main life business . . . was helped by an improvement in the profits of our re-insurance subsidiary, the Mercantile & General. Prudential Pensions Limited, which operates in the unit-linked pensions field, has become a major insurance office in its own right. It has £224m of funds under management, and is making a growing contribution to Group profits.

In 1977 the Company bid successfully for The Standard Trust Limited, an authorised investment trust with a high quality portfolio . . . the acquisition of The Standard Trust Limited has given us a better base for further growth.

The Wilson Committee We have participated fully in the insurance industry's preparation and presentation of its evidence. Although this process has been demanding of the time of senior personnel . . . the conviction is growing that the effort will prove to have positive value beyond that of successfully refuting the charge that the financial system has failed to provide industry with the funds required for investment in plant and equipment. . . . Institutional investors seem likely to develop closer contacts with industrial managements, and to do more to promote a better mutual understanding of the common long term interests of investors and the companies in which they invest.

The Wilson Committee's interim report showed how the gathering of facts, and the application to them of objective analysis, caused a whole line of criticism of the institutions to collapse.

Consumer protection We have in this country a long history of insurance legislation designed primarily to protect the consumer. Initially this legislation was directed to ensure solvency, but over the years it has been extended to other aspects of consumer protection. This was so in the 1974 Insurance Companies Act and in the Regulations being made thereunder. There is also the proposed legislation arising from the European Community, again largely with the object of protecting the consumer, although there are occasions when it appears that the search for harmonisation becomes an end in itself, rather than a means to a more sensible and satisfactory end result.

Consideration and implementation of this legislation places a considerable burden on the management and staff of companies. In many instances it also leads to an increase in costs, which in the long run is borne by the consumer. Worthy as the objects of a particular piece of legislation may be when considered in isolation, it is essential to retain a proper sense of balance. Otherwise we shall find that legislation which had as its objective the protection of the consumer will have a cost to the consumer exceeding the value of the protection provided. I am pleased to say there are some signs that this is beginning to be recognised.

Occupational pensions In the event, the majority of the larger companies decided to contract-out of the earnings-related component of the State scheme. One pleasing consequence is the inclusion in good occupational pension schemes of many more manual workers. . . . Many employees in small companies still have no occupational scheme cover: and so we introduced last autumn a new with-profit plan – the Prudential Company Retirement Scheme. . . . we have also up-dated our Executive Pension Plan. . . . These new schemes . . . put us in a strong position to benefit from a more settled period for occupational pensions now that the new State arrangements are in operation.

1977 Progress Report

Life Assurance In the Ordinary Branch total premium income and considerations were 11.5% higher at £532.8m.

In the Industrial Branch total premium income was 10.6% higher at £149.6m.

A continuing improvement in the return on investments enabled the rate of reversionary bonus in the Company's Ordinary Branch in the UK to be increased from £4.20 to £4.40 per £100 sum insured. The same improvement enabled the rate of reversionary bonus in the Industrial Branch to be increased from £2.60 to £2.80.

The rates of terminal bonus for both branches have also been increased and the scale extended to include policies issued in 1976.

The total surplus distributed to policyholders amounted to £220.5m compared with £196.4m in respect of 1976.

Surplus transferred to the Profit and Loss Account amounted to £15.9m compared with £13.6m.

General Insurance Premium income amounted to £358m, an increase of £36m over 1976. The net surplus for the year was £10.4m compared with £6.3m.

Investments In 1977 the demand for finance in the United Kingdom was predominantly from the Government, and we invested a major proportion of our funds in government securities, the yields on which continued to look favourable with the prospect of lower rates of inflation.

Demand for new industrial finance was quite modest despite the strength of the equity market and the willingness of most institutions to commit funds to this sector. As usual we underwrote most of those issues which were made. Property investment in 1977 was again lower as developments commenced in earlier years approached completion.

A copy of the full Statement is available from:— The Prudential Assurance Company Limited, 142 Holborn Bars, London EC1N 2NH.

RMC poised for further growth

AFTER A four year depression with greatly reduced demand, there are indications that the worst is now past and Ready Mixed Concrete may again move forward, says Mr. J. Camden, the chairman in his annual statement.

The group is constantly seeking out further opportunities in its traditional lines and new products both at home and overseas, members are told. Much strategic planning has been undertaken to enable RMC to meet future fluctuations and uncertainties as business trends become more complex.

In the U.K. and Europe severe weather conditions have occurred during the early part of this year and have inevitably adversely affected trading.

Since the start of the year there has been a welcome increase in the private housing starts, but recent pressure on building societies to limit mortgage advances may again retard the situation.

In Europe much depends on the economic policies adopted. In some countries the rate of output will slow down: in others RMC will go forward. In Germany the picture is brighter and there are positive indications that demand for products will increase throughout the remainder of this year.

As reported on April 14, pre-tax profits advanced from £22.94m. to £28.32m. in 1977, on turnover of £547m. (£515m.). The dividend total is 5.77p (5.17p) net.

Inflation adjusted accounts show pre-tax profits of £19.8m. after adjustment for depreciation—£11.31m., cost of sales—£1.79m., and gearing—£4.38m.

At the year end there was a decrease in net short-term borrowing of £3.48m. (£0.44m. increase).

Meeting, the Dorchester, W., on May 26, at 11.30 a.m.

London Utd. to continue expansion

IN HIS annual statement, Sir George Bolton, the chairman of London United Investments, says he believes that the company will continue to achieve further expansion in 1978, and he looks forward to *dividend* restraint being lifted.

As reported on April 18 taxable earnings for 1977 doubled from £1.74m. to £3.48m. and the dividend is increased to the maximum permitted 4.20596p (3.76568p). And, with a proposed three-for-one scrip issue together with a consolidation of the new and existing 5p shares into 20p each, the company will acquire trustee status.

Sir George adds that the company's activities continue to be soundly based and have proved to be increasingly profitable in real terms. It is intended to continue to direct new investment to the areas of the operations which have proved most profitable.

Following the exceptional growth of the company during the last two years, the chairman reports that the group is in a stronger financial position than ever before. The reputation of insurance subsidiaries, H. S. Weavers (Underwriting) Agencies and Walbrook Insurance Company, in the international market, has grown in stature over the last three years and Weavers now takes its place as the largest underwriting agency of its kind.

Currently Weaver is writing business on the London Market at the rate of over $U.S.100m. of premiums per annum. The directors also intend to continue to increase the issued share capital as may be necessary to enable Walbrook to take full advantage of continuing profitable underwriting opportunities as they present themselves.

Meeting, Connaught Rooms, W.C., on May 24 at noon.

W. Williams increase

Turnover of W. Williams and Sons (Holdings) increased from £6.94m. to £8.51m. for 53 weeks to end 1977 and pre-tax profits rose from £182,895 to £216,126.

After tax of £89,650 (£58,917) earnings are shown to be ahead from 5.1p to 5.2p per 25p share and the dividend is lifted from 1p to 1.125p net with a final of 0.625p.

Progress foreseen by Ofrex

DIRECTORS AT Ofrex Group are confident that progress will continue and they are planning for a year of record sales and profits in 1978, Mr. George Drexler, the chairman, says in his annual statement.

Although sales and profits for the first quarter have been ahead of last year, political, economic and financial uncertainties make definite forecasting difficult, he says.

While its order book is satisfactory and price increases will be held to a minimum the world trade recession has already affected export trading.

The group's U.S. operations continue to make losses but Mr. Drexler believes that the losses will prove to be a reasonable price to pay for a worthwhile market share. In Canada, the group hopes to upgrade the size and scope of activities by broadening its product and distribution base.

A one-for-five scrip issue is proposed following the £1.6m. surplus which arose on the revaluation of its major U.K. properties.

Its pre-tax profit for 1977 of £3.94m. is shown cut to £3.0m. by current cost adjustments for depreciation of £195,000 and cost of sales of £0.96m., offset by £0.3m. gearing adjustment.

Meeting, Stephen Street, W., May 23 at 11 a.m.

COMPANY NEWS IN BRIEF

A. A. JONES AND SHIPMAN (metal-working machine tools maker)—Results for 1977 already known. Group fixed assets £1.91m. (£1.60m.), net current assets £6.36m. (£5.49m.). Net liquid funds up £31,000 (£321,000). Future capital spending £1.36m. (£1m.). Chairman says company had encouraging first-quarter and should make headway. Meeting, Leicester, May 17, 2.15 p.m.

AFRICAN LAKES CORPORATION—Results for year to July 31, 1977, reported March 2 with comments on prospects. Group fixed assets £2.51m. (£2.26m. restated). Net current assets £0.7m. (£0.7m.). Increase in liquidity £146,917 (decrease £148,731). At March 31, 1978, Rhodesia Railways Contributory Pension Fund held 15.2 per cent. of the equity. Meeting, Edinburgh, on May 16, at 11.30 a.m.

APV HOLDINGS—Results for 1977 reported March 21. Fixed assets £28.33m. (£24.66m.) and net current assets £36.71m. (£32.31m.). Short-term deposits £4.36m. (£2.7m.), bank balances and cash £5.2m. (£3.03m.). Bank loans and overdrafts £2.57m. (£3.47m.). Net liquid funds increased by £5.37m. (£3.4m.). St. Regis International holds 23.3 per cent. of equity. Meeting, New Zealand House, SW, May 15, 11.45 a.m.

ASSOCIATED BISCUIT MANUFACTURERS—Results for 1977 reported on April 11 with chairman's remarks on prospects. Group fixed assets £45.17m. (£41.50m.). Net current assets £28.97m. (£25.31m.)—short-term deposits £4.15m. (£5.16m.); cash and other balances £2.32m. (£1.49m.); and bank loans and overdrafts £830,000 (£525,000). Current cost profit before tax shown at £6.24m. (£5.19m.) after extra cost of sales £2.36m. (£2.63m.); additional depreciation £3.11m. (£2.91m.); and gearing adjustment £1.12m. (£1.36m.). Meeting, Great Western Royal Hotel, W., May 16 at 12.30 p.m.

BIFURCATED ENGINEERING—Results for 1977 reported April 7. Fixed assets £2.77m. (£2.66m.), net current assets £3.22m. (£2.3m.). Bank overdrafts decreased by £561,615 (£93,137 increase). Meeting, Aylesbury, Bucks, May 15, noon.

BRENT CHEMICALS INTERNATIONAL—Results for 1977, reported March 29, with rights issue, acquisition, and comments on prospects. Group fixed assets £2.4m. (£1.78m.). Net current assets £1.48m. (£1.23m.). Increase in liquidity £0.3m. (£0.8m.). Current cost statement shows historical operating profit £2.34m., less depreciation adjustments £163,000, cost of sales £202,000, interest payable £191,000, and gearing adjustment £42,000, leaving current cost pre-tax profit £1.81m. Meeting, Skyline Hotel, Hayes, on August 17 at noon.

BRIDON (wire, wire ropes, fibre and plastic products)—Results for 1977 reported March 21 with comments on prospects. Group fixed assets £50.75m. (£52.5m.). Net current assets £54.71m. (£48.51m.). Net increase in short term borrowings £10.68m. (£1.8m.), decrease in long and medium loans £128,000 (£2.87m.). CCA profit £6.2m. (£11.61m. historical). Meeting, Chartered Accountants' Hall, E.C., on May 23 at noon.

CROSSLEY BUILDING PRODUCTS—Results for 1977 reported April 11 with comments on prospects. Group fixed assets £6.36m. (£6.84m.). Net current assets £0.7m. (£0.96m.). Decrease in working capital £0.2m. (£0.13m. increase). Meeting, Stockton-on-Tees, May 19, at noon.

CSC INVESTMENT TRUST—Results previously reported: Investments quoted U.K. £1.37m. (£1.54m.), overseas £27,735 (same), unquoted £151,105 (£129,388), current assets £36,039 (£18,580), current liabilities £0.31m. (£0.31m.). Meeting, 44, Bloomsbury Square, W.C., May 15, at 2.30 p.m.

SMITH AND CO. (builders' merchants)—Results for 1977 reported March 31. Group fixed assets £1.78m. (£1.60m.). Net current assets £1.34m. (£1.17m.). Increase in liquidity £321,596 (£267,881 decrease). Group well placed for any upturn in business and able to increase market share at reasonable margins even in static environment. Meeting, 530 High Road, Leytonstone, E11, on May 16, at noon.

CASKELL AND CO. (BACUP) (carpets underlay, floorcovering)—Results for the year 1977 reported April 7. Group fixed assets £926,542 (£824,751). Net current assets £1.92m. (£1.52m.). Turnover in the first quarter of 1978 is slightly up on the same period of 1977 current cost profit, before tax, £100,000. Meeting, Blackburn (Lancs.).

HARRISON AND SONS (printing)—Results for 1977 reported April 3. Group fixed assets £5.16m. (£5.21m.), net current liabilities £65,400 (£39,100 assets). Bank overdrafts decreased by £502,900 (£611,700 increase). At year end, London and Associated Investment Trust held 47.8 per cent. of equity. Meeting, Stationers' Hall, E.C., May 24, noon.

HOME COUNTIES NEWSPAPERS—Results for 1977 reported March 30. Group fixed assets £527,558 (£563,122), net current assets £940,592 (£504,317). Cash balances increased by £410,938 (£19,412). Chairman says first three months have shown maintenance of improvement of advertisement revenue, although nationally-agreed and locally-negotiated wage increases have made inroads into group's performance. At March 23, County Newspapers held 38.29 per cent. and County Bank held 25.15 per cent. of equity. Meeting, Luton, May 15, noon.

McCLEERY L'AMIE GROUP (carpets, textiles, rope and twine, engineering)—Results for 1977 reported March 11 with comments on prospects. Group fixed assets £4.22m. (£4.38m.). Net current assets £2.33m. (£2.33m.). Increase in liquid funds £1.24m. (£2.01m. decrease). Ex-gratia payments to past directors £24,300 (£15,000). Meeting, Holywood, Co. Down, on May 19 at noon.

PERCY LANE (window manufacturers)—Results reported March 30. Fixed assets £1.59m. (£1.39m.), net current assets £1.39m. (£1.3m.). Meeting, Birmingham, May 26, at noon.

RICHARDS AND WALLINGTON INDUSTRIES (selling and hiring construction and industrial plant)—Results for 1977 reported April 14, with prospects. Group fixed assets £22.43m. (£20.03m.), net current assets £4.55m. (same). Net liquid funds up £0.54m. (down £0.54m.). British Electric Traction Company holds 20.51 per cent. interest. Meeting, Birmingham, May 31, noon.

SHARNA WARE (manufacturer of plastic ware, etc.)—Results for 1977 already reported. Group fixed assets £1.25m. (£0.94m.). Net current assets £0.76m. (£0.6m.). Chairman anticipates another record year for 1978. Meeting, Manchester, on May 17, at 12.30 p.m.

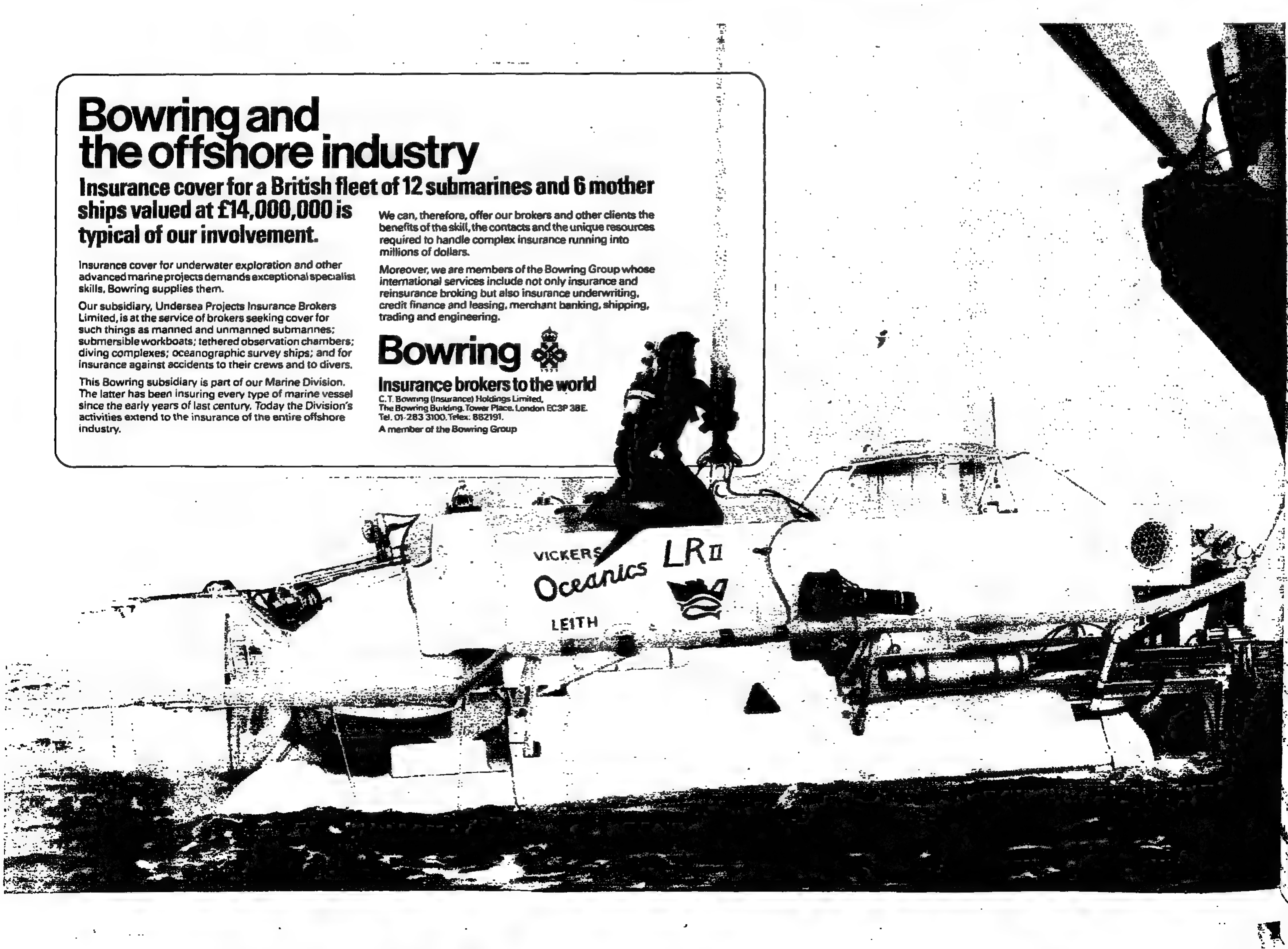
SPIRAX-SARCO ENGINEERING—Results for 1977 reported April 4. Group fixed assets £9.12m. (£8.57m.). Net current assets £10.45m. (£7.71m.). Meeting, Cheltenham, on May 18 at 12.45 p.m.

STAR (GREAT BRITAIN) HOLDINGS (wholly owned subsidiaries of English Property Corporation)—For year to October 31, 1977, net property income £589,118 (£560,171) and other income £540,298 (£537,135). Interest £176,697 (£149,700). Tax nil (£nil). Extraordinary debits £742,948 (£7,336) covered by transfer from capital reserve. Attributable to holding company £1.17m. (£975,824). Dividend absorbs £1.16m. (£815,000).

TI RALEIGH INDUSTRIES (cycle maker—wholly-owned subsidiary of Tube Investments)—Results for 1977, already known. Group fixed assets £12m. (£12.9m.), current assets £63m. (£46.17m.), current liabilities £51m. (£22.62m.). Net liquid funds down £4m. (up £3.85m.). Directors say adverse effects of industrial dispute will continue through early part of 1978 but confident of recovery. Meeting, Nottingham, May noon.

WATTS, BLAKE, BEARNE AND CO. (extraction, processing and marketing of ball and china clays)—Results for 1977 reported April 5. Group fixed assets £12.46m. (£11.65m.), net current assets £9.12m. (£8.21m.). Historical pre-tax profit £3.67m. and £2.07m. on CCA basis. Liquid funds increased by £4.85m. (£5.34m.). Meeting, Moretonhampstead, Devon, May 19, at noon.

WOLF ELECTRIC TOOLS (HOLDINGS)—Results for 1977 already reported. Chairman says company off to a reasonable start, with first-quarter sales ahead of 1977. Aiming to increase volume and value and to earn an acceptable profit margin. Group net current assets at December 31, 1977 £6.29m. (£5.38m.), fixed assets £2.43m. (£2.73m.). Meeting, Park Lane, W., May 18, at noon.



Bestobell set for continuing growth

...EN reasonable trading conditions overall, Bestobell should ...w increasing profitability not ... in the current year but in ... years ahead, Sir Humphrey ...wne, the chairman, says in his ...ual statement.

...he company is now in a secure ...tion to develop opportunities. ...he past few years its organisa... has been improved, staffing ...forced and objectives and ...s more clearly defined and ...er systems of control are be... established.

...verseas, subsidiaries are gen...y in good order and a perma... settlement in Rhodesia ...ld have a major beneficial ...t on operations there, and ... Australian company is well ...ed to gain from an improve...t in trading conditions, the ...rman states.

...les for 1977 were ahead to ...2m. (£77.59m.) and taxable ...t advanced to £5.49m. ...1m.)—as reported on April ... The net dividend is stepped ...o 9.4353p (8.52788p) per 25p ...

...t liquid funds at year end ... down £1.04m. (£1.14m.) with ...drafts and acceptance credits ...t £4.45m. (£2.79m.) and bank ...ices better at £2.09m. ...6m.).

...ring the year the company ... the balance of £1.5m. of the ...ear £3m. loan raised in the ... part of 1976.

...th some exceptions, notably ...en, the group's Continental ...anies' performance was un...actory in 1977, being affected ...ncreased price competition ...ving the rise in sterling.

...ere are also difficulties ...iated with the present small ... of these companies and, ... strengthened management, ...itive approach is being made ...aise sales, Sir Humphrey ...ents.

Elsewhere overseas, despite an adverse exchange rate, profit showed an overall 17 per cent. increase. The main component of this was a recovery in South Africa from loss to surplus.

In the U.K. a flow measurement equipment manufacturing company was acquired and now trades as Bestobell Meterflow. Its product range promises an important extension of the group's capability in the field of industrial control equipment, the chairman says.

A new subsidiary to make steam line equipment, Bestobell Steam Products, has been formed and production is expected to begin in the second half of 1978.

Meeting, Hayes, Middlesex, on May 26 at 11 a.m.

Hawtin turns in £0.73m.

PRE-TAX profits of Hawtin, for the year to January 31, 1978, rose from £594,000 to £733,000 on turnover ahead to £7.32m. against £4.71m. Figures include results of E. D. Hollingsworth and its subsidiaries and Safety Specialists (Biggleswade) for 10 months only.

Again there is no dividend on Ordinary 5p shares. Stated earnings are down from 1.52p to 1.18p. Pre-tax profit, which was struck after interest of £86,000 (£3,000), is subject to tax of £305,000 (£58,000) and an extraordinary debit of £52,000 (£21,000).

The group is involved in the manufacture of industrial gloves and the distribution of gloves and other protective clothing and safety equipment.

...yle Shipping forecasts ...etback for trading fleet

...ING results for the bulk ...ing division of Lyle Shipping ...any in the first half of 1978 ...e worse than those for the ... period of last year. However ...rectors hope that the results ... company's insurance brok... and engineering interests ...rovide an effective counter ...e, Mr. Herbert Walkinshaw, ...airman, tells members.

... outlook for shipping for the ...nder of the current year is ...ng but encouraging. Three ... company's fleet are on long... charters at rates now well ... present market levels and ...st of the fleet, which oper... under a pooling agreement ... H. Hogarth and Sons, are ...xposed to the present poor ...t conditions, he says.

... directors are continuing to ... the impact of exchange ...ations. Since the end of 1977 ... of the groups loans with ...nt banks have been refin... to match their currency ... closely with the group's ...gs, which are mainly in U.S. ...s, and to spread loan repay... over more years.

... the end of last year long ... loans amounted to £7.34m. ...3m.) of which £5.79m. ...n.) were repayable in ex... ...f five years. Bank borrow... ...ere up at £7.3m. (£3.78m.). ...eported on April 1, for the ... turnover was £13.46m. ...m.) and taxable profit, was ...at £867,000 (£1.57m.). The ...vidend was lifted to 4.8p ...p).

...king capital at year end ...l a decrease of £3.57m. ...), and there was an ex ...payment to a former direc... £5,000.

...xpected the annual valua... the fleet indicated a sharp ... eliminating the surplus ...ook value, Cape Race and ...tway were not included in ...uation but their values are ...nsiderably higher than the ...vel.

...ng accounting changes in...d for the year leased ships ...en included in the balance ... under fixed assets and ...ed to £9.37m. (£9.67m.) ...ed with an owned fleet ...f £19.14m. (£19.51m.).

...ompany's shipping opera... ...proved despite lost earn... ...d repair costs, which mat... affected the second half, ... the Cape Horn was ...ed.

for £8m. by a company controlled by the State-owned National Enterprises Board.

Skrek, a manufacturer of meats, soups and sausages which was taken over by Allied last year, has been purchased by Mr. Sydney Waissel, who has hitherto been joint chairman of Allied's food division, Allied International Food Services (Holdings). At the same time, Mr. Waissel and his wife have sold back to Allied Investments the 20 per cent. stake they had retained in Allied International Food Services.

Mr. Waissel, who joined Allied when he sold his company to it four years ago, has resigned as joint chairman of the food side. There is also agreement that he can now trade on his own account under the name of Waissel's; in addition, he has acquired the trademark of the name Goormets.

With Allied International Food Services fully owned by Allied Investments, the way is now clear for it to be sold off, as foreshadowed in the document conveying the bid for the whole group from the NEB-controlled United Medical Enterprises.

A spokesman for Orion Bank, which is acting for UME over the sales, said last night that the sale of Allied International Food Services was under discussion and negotiation. He added that the same was true of the planned disposal of Allied Investments' U.K. private medical interests, including the Champneys health farm.

Boosey hit by hesitant demand

The hesitant demand being suffered worldwide in the home entertainment and music industries is in the case of Boosey and Hawkes, the music publishing and instrument making concern, particularly noticeable in the fields of state aided performance and education, says Mr. H. P. Barker, the chairman.

Both are primary outlets for the group and both reflect the stringencies now afflicting most governments, particularly in English speaking countries, members are told in his annual statement.

As reported on April 6, pre-tax profit fell from £2.13m. to £1.96m. for 1977, on turnover of £17.9m. (£17m.).

Mr. Barker states he does not expect anything better than a moderate year in 1978.

...POSAL BY ...IED INV.

...RST move has taken place ...lanned sell-off of the U.K. ...medical and food interests ...d Investments—the medi... ...ices group being bought

"1977 was a more difficult year; nevertheless, the Society consolidated its position at the new high level."

The One Hundred and Fifty-Fourth Annual General Meeting of the Clerical, Medical and General Life Assurance Society will be held on 10th May 1978 at the principal office of the Society, 15 St. James's Square, London, SW1. Sir Robert Black, GCMG, OBE, the Chairman, will make the following Statement in moving the adoption of the Report and Accounts.

Directors

Dr. Kenneth Black, who had served as one of the Society's Medical Directors since 1964, retired from the Board at the end of July. For 13½ years the Board and our underwriters have had the benefit of his professional skill, experience and wisdom. We thank him for his valuable service and wish him well in his retirement.

Life Assurance Business

In 1975, and again in 1976, the Society achieved notable increases in new business. 1977 was a more difficult year; nevertheless, the Society consolidated its position at the new high level.

Total new annual premiums, including those received on pensions business, increased marginally to £9.6 million from £9.5 million, while single premiums received amounted to £7.0 million (£6.6 million).

The number of new ordinary life policies written was less than the figure for 1976, but there was an increase in the average annual premium per £100 of sum assured. Total new sums assured, including group life business, were £272 million.

While the market's attention has been on shorter term endowments, I should like to recommend once more the Society's whole life assurance to all our brokers, agents and policyholders. This policy is extremely flexible and can be adapted, often on guaranteed terms and normally without medical evidence, to meet any changes in the life assurance needs of the policyholder. I regard it as an ideal savings policy for young people entering on their careers giving, as it does, a high level of permanent life assurance cover at moderate cost. And, to those who have capital transfer tax problems, the whole life policy may be particularly appropriate.

Certain provisions of the Insurance Brokers' (Registration) Act, 1977 came into force on 1st December. This Act, and the growing influence of the British Insurance Brokers' Association, are welcomed by the Society, because they require, amongst other things, explicit and high standards of conduct and business practice from those seeking registration. At the same time, we trust that they will not make it difficult for other financial and legal advisers to help their clients in insurance matters, where their knowledge of insurance can be added with effect to their knowledge of the clients' affairs.

Group Pensions Business

This has been an important year for those of our staff who administer our pension schemes. Their first major task was to advise our customers on the complex matter of whether or not to contract out of the new State Scheme; thereafter they had to obtain and put into effect decisions by the critical date in December set under the Act. By that date, decisions had been received from over 99% of our customers and are now being acted upon. This success reflects the greatest credit on all members of our staff who were, and still are, involved in this work.

The manner in which the Society approached the task of communicating with its customers, including the high standard of co-operation with brokers and other intermediaries, has undoubtedly led to the placing with the Society, during the year, of new group pension schemes with a record level of premium income, and to an enlargement of the list of well known organisations throughout the country who are our pension fund customers.

I have referred in previous statements to the partnership which now exists between the State and occupational pension schemes to provide retirement benefits for the majority of the working population. Coupled with the flexibility inherent in non-State schemes, this should ensure a continuing growth in pension arrangements of this kind. There is an opportunity to expand further in the group pension field, and we are confident in the stability offered by insured schemes, and in our own merits as an office which gives a high level of service as well as attractive and competitive yields.

Bonus Declaration

The Society's last distribution of bonus took place in 1975, and a distribution is now being made in respect of the three-year period 1975-1977. The bonus reserve method has again been employed to value liabilities under existing policies, and the surplus available enables us to declare compound reversionary bonuses for the triennium 1975-1977 at the rate of £5.00 per cent per annum on the sum assured and attached bonuses of full-profit policies in the current series.

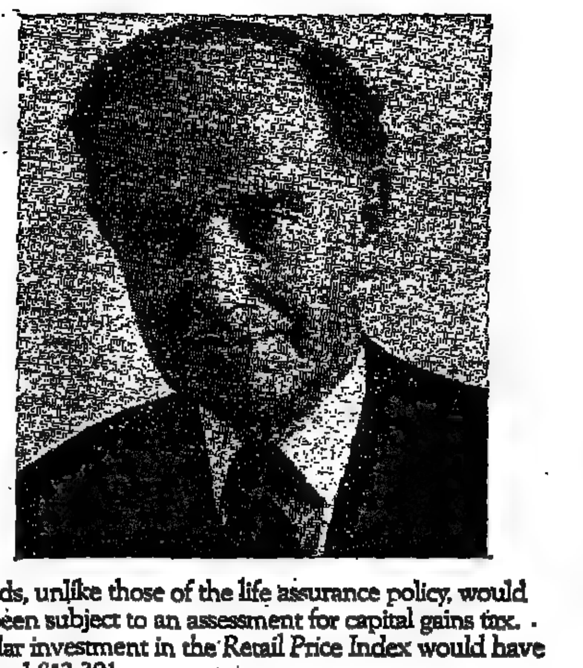
In the case of Old Series policies, which are largely those effected before 1946, the calculation of the new bonus is based on the amount of the premium and the class of policy, and these policies will receive an appropriately increased amount of bonus in the new declaration.

Certain policies issued in connection with superannuation arrangements participate in a fund which is not subject to tax. These gross fund policies will receive bonus at a rate of £6.50 per cent per annum on the sum assured and attached bonuses.

Personal Pension Contracts (self-employed deferred annuities) will be allotted bonus interest for the three years 1975-1977, at a monthly rate equivalent to £3.25 per cent per annum, in addition to the rate guaranteed in the contract.

The heart of this bonus declaration is the £5.00 per cent per annum compound rate for the last three years. It establishes a record level in a series of bonus declarations unbroken since 1832. It reflects our strength and success.

In my statement of 1976, I drew attention to the superior return then yielded at maturity by one of the Society's with-profit endowment assurances, effected in 1956, over investment either in certain stock exchange ordinary shares or, notionally, in the Retail Price Index. Despite the rises which have occurred during the past two years in both ordinary share prices and in the Retail Price Index, this situation remains unchanged today. A 20-year policy for a sum assured of £5,000 effected in 1958 by a man aged 30 for a gross annual premium of £259.37 would have produced for him, on his survival to the maturity date in 1978, the sum of £12,936, which includes bonuses of £7,936 added during the term of the policy. In addition, he would have been secure in the knowledge that, in the event of his death before that time, his dependants would have benefited by a sum, depending on the date of death, gradually increasing from the initial £5,000 to the final £12,936. By comparison, a regular investment of the amount of the premiums (net of tax relief) in the index of ordinary shares analysed by Messrs. de Zoete & Bevan, taking no expenses into account, and reinvesting dividend income net of the basic rate of tax, would have produced £11,479; these



proceeds, unlike those of the life assurance policy, would have been subject to an assessment for capital gains tax. A similar investment in the Retail Price Index would have produced £12,391.

Although we are declaring a bonus of £5.00 per cent per annum for the triennium 1975-1977, we are paying intermediate bonuses in respect of the period since 1st January 1978 on current series full-profit policies which become claims at £4.75 per cent per annum, and we are using this same lower rate when asked to illustrate possible future maturity values in quotations for new policies. No life office can ignore the fall which has occurred in interest rates, nor the constant battle which all are fighting against rising costs. Past success reflects the strength of past and present management. Future bonuses depend on future financial conditions, together with the strength of reserves and the quality of present and future management.

Terminal Bonus

Terminal bonus was first added in 1969 to participating policies then becoming claims, in order to allow policyholders to share as fully as possible in any undistributed capital appreciation. Since that date, the rate has fluctuated according to conditions in the investment markets.

For the present, terminal bonus remains at the increased level, set in August 1977, of £1.50 per cent of the sum assured for each year that the policy ranks for bonus, with a proportionate addition for ranking periods of less than one year.

For Personal Pension Contracts, the special retirement bonus interest, added at the time benefits commence and calculated on the total benefits at retirement, remains at ½ per cent for each full year that the contract has been in force, with a proportionate addition for shorter periods.

Pension Contract Interest

The rates of interest payable on the Pension Contract are reviewed annually and consist of Basic Yield, Equity Addition and High Interest Addition.

For 1978, the Society is revising the scale of Basic Yields so that, for a contract with normal annual contributions in excess of £1½ million, the Basic Yield will be increased from 8.00 per cent per annum to 8.45 per cent per annum. The Basic Yields appropriate to smaller contracts with normal annual contribution above £12,500 are also being increased but to a lesser degree. There is no increase where the normal annual contribution is less than £12,500.

There will be no change in the basis of calculation of the Equity Addition or High Interest Addition.

Investments

This year the invested assets appear in the balance sheet for the first time at market value. For many years the full market values have been disclosed in the notes to the accounts, but the information has now been brought into the balance sheet so that the effects of changes in the investments and in market levels are fully reflected there. However, in order to allow for some fluctuation and to provide for the contingent liability for tax on capital gains that would have to be met if the assets were realised, it is prudent to set aside an investment reserve, and it will be seen that this year £69 million or 16% of the market value of the assets has been so allocated.

During 1977 some £51 million, including £7 million of the money that was on deposit at the beginning of the year, has been invested in long-term assets. In the earlier part of the year, the Society continued to concentrate money available for investment into the gilt-edged market in view of the high guaranteed yields available on long-dated stocks. As the year progressed, yields on gilt-edged declined and a proportion of money available was diverted into British equities. Near the end of the year, it was decided also to begin to direct some money into North American equities.

Investment in property, which helps to finance British industry, continued throughout the year and some first-class properties have been purchased. But, at the same time, opportunities occurred to sell one or two properties at prices which, in our view, exceeded their value to the Society, and overall the sector absorbed little of the available new money.

Life assurance is a long-term business and sudden changes of direction are inappropriate when considering both the assurances and the assets which back them. But that does not mean that inflexibility is built in to the portfolio, and it is instructive to remind ourselves from time to time how the assets have been changed over the years to attain, without undue risk, notably high returns for with-profit policyholders. The figures set out below give an indication of the magnitude of the changes in the composition of the portfolio.

As long ago as 1947 the Society was already moving into equities, and by 1957 a solid equity base had been laid

31st Dec	1957	1967	1972	1977
Total market value (£ million)	36	134	256	441
Class of asset	%	%	%	%
a. Stocks and shares				
i Fixed interest investments	16	17	19	43
ii United Kingdom ordinary shares	25	36	39	26
iii Overseas ordinary shares	3	9	6	6
b. Properties	14	17	22	16
c. Mortgages, loans & miscellaneous	42	20	10	7
d. Deposits and short-term assets	–	1	4	2
	100	100	100	100

down. The build-up of the equity portfolio, reflecting a belief in the long-term prosperity of British industry, continued by and large until 1967. The step back from equities, which has accelerated over the last decade, reflects the very high rates of interest available in the gilt-edged market and the damaged prospects for industry, both caused to a great extent by uncontrolled inflation.

However, we have, as a Society, considered it right to maintain a substantial stake in the best British companies and in property, and I hope that during 1978 the nation's leaders will pursue the objective of economic stability, even where this conflicts with short-term social or political goals. If this stability and an improvement in productivity are secured, the long-term attractions of investment of new money in British industry will revive, and a steady growth in the creation of real wealth, for the benefit of the whole community, will be resumed.

I am pleased to report the formation, in 1977, of Agricultural Land Improvement Holdings Limited, which has absorbed our own Lands Improvement Company and in which we are maintaining a substantial interest. The new company will be extending the range of financial services for farmers, and we are confident about its prospects.

Staff and Administration

1977 saw the move to Bristol of a further part of the staff formerly working in London. This has completed the decentralisation scheme and brings together in the new Bristol Head Office all the departments dealing directly with the servicing of the Society's policies and contracts. I am happy that the facilities of the new office, its accessibility and the pleasant surroundings of Bristol have been generally welcomed by the 300 members of the staff who have moved from London.

In considering the numbers of staff we require to run our business, we have to recognise that the extra work imposed on us by recent legislation largely offsets the effects of increased mechanisation and improved efficiency. In particular I would mention the Government's decision to transfer from the Inland Revenue to the Life Offices the administration of the tax reliefs granted to policyholders on their life assurance premiums. In setting up the appropriate systems to deal with relief by deduction from premiums, the Society is shouldering a heavy burden of extra cost.

I am now retiring from the Chairmanship of the Society's Board. The 14 years during which I have been associated with the Society have for me been happy and proud ones; and I am grateful both to my able and experienced colleagues on the Board, not least during my three years in the Chair, and to the loyal and expert staff, under two outstanding Chief Executives, in turn, James Pegler, and, now, Leonard Hall, who have maintained the traditionally high quality of service to our policyholders for which our Life Office has an established reputation. It is a record of achievement of which all may be proud; and it is a matter of particular pleasure to me that Douglas Morpeth has accepted our invitation to succeed me in the Chair. I know that the Society will be in excellent hands, and it has my very best wishes for the future.

CM & G

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BIDS AND DEALS

Sir Hugh to quit if Lonrho fails

BY ANDREW TAYLOR

SIR HUGH FRASER, deputy chairman of Scottish and Universal Investments said last night that he would resign from the Board of the company if Lonrho's contested bid for SUITS failed.

Lonrho's bid which values SUITS at around £39m. has split the independent Board members of the Scottish company (there are also three Lonrho representatives on the Board) into two camps—with Sir Hugh and Mr. James Gossman supporting the bid terms while the three other "independents" including chief executive Mr. Hugh Laughland have opposed the offer.

Sir Hugh said that he felt no ill-will towards his fellow directors but he felt that if the bid failed it would sour the previous "good relations" that had existed among the eight-man Board. "In such circumstance I do not feel I could remain a Board member," he said.

Lonrho expressed surprise last night about this development. A spokesman said that Sir Hugh: "must have been quoted out of context."

Sir Hugh said, however, that he would not resign as chairman of House of Fraser in which SUITS has a ten per cent. stake and in which the Fraser family trusts also have a small holding. He said that he would remain on the SUITS Board if Lonrho's bid succeeded.

In a letter from Sir Hugh and Mr. Gossman sent to SUITS shareholders yesterday Mr. Gossman says that he would "continue to work on the Board of SUITS irrespective of whether or not the Lonrho offer is accepted." The joint letter recommends SUITS shareholders to accept Lonrho's offer of 11 Lonrho shares for every six SUITS shares.

A defence document, prepared by the three independent directors opposing the bid, is expected to be sent to SUITS shareholders to-day, recommending rejection of the offer as too low and because it contains no cash element.

The joint letter from Sir Hugh and Mr. Gossman stresses the income and capital benefits to be gained from acceptance and repeats Lonrho's recent assurance that SUITS will not lose its Scottish identity by the merger.

The latter point is understood to be one of the more important aspects that is currently being considered by the Office of Fair Trading — before it sends its report to the Secretary of State for Prices and Consumer Protection.

It has been anticipated that a decision on whether the bid should be referred to the Monopolies Commission would be due this week but it now seems that a decision will not be known until the end of next week—at the earliest.

Meanwhile the joint shop stewards committee at Dunford Elliott has moved to the defence of Lonrho, its parent company, following the attack on Lonrho's by the shopworkers' union (USDAW) last week. The Dunford shop stewards denied that USDAW members "would be looking over their shoulders for their jobs" if Lonrho's bid for SUITS succeeded.

The Fraser family has retained close links with SUITS for many years. Sir Hugh was chairman of the company until March 1977 when he sold his personal stake in SUITS to Lonrho. Mr. Tiny Rowland, chief executive of Lonrho, was then appointed chairman of SUITS.

Brooke Bond in £3m. commodity expansion

Brooke Bond Liebig has acquired Wallace Brothers Commodities from Wallace Brothers (Holdings) a subsidiary of Standard Chartered Bank for £3m. cash.

Brooke Bond Liebig wants to expand its worldwide commodity activities and start trading in new soft commodities. At present BBL deals mostly in tea and coffee.

Wallace Brothers Commodities, as a broker, deals in practically all soft commodities and some metals. It has seats on many of the principal terminal markets in London and New York, and will offer expertise and information to BBL.

Mr. Tony Vachel, group treasurer of BBL said yesterday that Wallace Brothers Commodities was "a doorway—we do not know what is on the other side."

Another advantage of the deal will be that BBL can channel its own business and that of its customers through Wallace, thus keeping the broker's commission in-house. And Wallace Brothers Commodities has "a nice positive cash flow" according to Mr. Vachel.

On the other side of the transaction, Standard Chartered Bank wanted to sell the commodity broking company as part of the reorganisation of Wallace Brothers (Holdings), which it took under its wing in 1976 with Bank of England approval. The commodity broking activity did not fit in with the other activities of Standard Chartered, said a spokesman yesterday.

Wallace Brothers Commodities made pre-tax profits of £722,000 in the year to July 1977.

SUN CHEMICAL HAS 43.9% OF AULT & WIBORG

Sun Chemical Corporation of the U.S. has once again increased its stake in printing ink manufacturer Ault and Wiborg to the limit of the rules of the Takeover Code. It has just bought a further 392,938 shares which lifts its holding by 2 per cent. to 43.9 per cent. Last year it also increased its stake by 2 per cent.

Yesterday a spokesman for Ault said that Sun had three directors on the Board. There was no sign of a full bid from Sun, however. The only other major shareholder is Britannic Assurance which has 5.08 per cent.

FURTHER SALES BY ROWNTREE TRUST

Since November trustees of the Joseph Rowntree Memorial Trust have sold 150,000 shares in Rowntree Mackintosh. The latest sale, of 25,000 shares at 400p disclosed yesterday, completes this tranche of the disposal programme. The trust now holds 3,850,000 shares.

A spokesman for the trustees said yesterday that the trust still intends to dispose of a further 500,000 shares in order to reduce its investment in the company to half its original stake—a policy approved some two years ago. The shares still to be sold would be disposed of gradually, over the next couple of years, the spokesman said.

MINING NEWS

CRA faces a fall in 1978 earnings

BY KENNETH MARSTON, MINING EDITOR

"SUBSTANTIALLY LOWER" earnings this year are faced by the Rio Tinto-Zinc's group's 72.6 per cent.-owned Conzinc Riotinto of Australia if the present depressed metal market conditions continue.

At yesterday's Melbourne meeting Mr. Rod Carneigie, the CRA chairman, pointed to the current combination of slow growth in demand, excess stocks, unrealistic metal prices and unfavourable exchange rates, notably the weakening of the U.S. dollar.

He said that the timing of an up-turn was uncertain and that investment expenditure in major world economies must rise if demand for metals was to increase. "Consequently, we must expect to operate in a difficult economic climate for some time to come."

Meanwhile, the CRA's wholly-owned AM&S subsidiary is expected to make a much reduced contribution to group earnings this year and its lead-zinc activities will incur if the current low zinc prices continue.

Lead demand is strong, but zinc operations are unprofitable for most producers and production at each of the group's three smelters—two in Australia and one in the U.K.—is to be cut to about 75 per cent. of capacity for the year.

Commenting on the high risk element in mining Mr. Carnegie said that $A4.8m. (£2.97m.) had been spent between 1972 and the end of last year on a diamond search in the remote Kimberley Ranges region of Western Australia by a consortium which is headed by CRA.

The consortium is to spend $4m. this year on a pilot treatment plant and a further $... on continued exploration. "Tw... more years could elapse with joint venture expenditure of many millions of dollars before it is known whether diamonds exist in commercial quantities." Carnegie added that: "We may have a substantial success. But equally it may be that after seven or eight years of effort the conclusion will be that no commercial deposit exists."

He was optimistic about CRA's overall prospects in the long term. "The group is soundly based to take advantage of an up-turn in world economies. We are proceeding with major investments which will have long term strategic importance and will improve our ability to capitalise on the up-turn." CRA shares were 214p yesterday.

Transatlantic news round-up

FOLLOWING its recent warning of a difficult year ahead Canada's Noranda mining group reports a 20 per cent. fall in first quarter profits to C$14.7m. (£7.1m.), or 62 cents per share, from C$18.3m. in the first quarter of 1977.

Favourable factors have included a small improvement in copper prices; a better performance at the Gaspe copper mine and by the domestic manufacturing operations; while the forest products division has done notably well. Export earnings have been helped by the decline in the value of the Canadian dollar.

On the other hand, zinc prices have continued to weaken. The major adverse factor, however, has been the closure of the aluminium operation owing to a lack of electrical power during the last stages of the U.S. coal strike. This operation is expected to be restored to full production in June.

Although results for the rest of the year may be better, Noranda does not expect a return to really satisfactory earnings in view of the excess stocks being held of many commodities and the poor chances of any major recovery in metal prices.

In Toronto Mr. E. P. Gush, president of the Anglo Amrican Corporation group's Hudson Bay Mining and Smelting, remains optimistic despite the company's first quarter loss of $C1.64m., or a deficit of 16 cents per share, which compares with a loss of $C274,000 a year ago. During the latest period losses on base metals and fertilisers swamped profits on oil and gas and industrial products.

The Hudbay offer to purchase 50.01 per cent. of Tanatalum Mining has been accepted.

On a more cheerful note, the gold-tungsten Dome Mines group estimates first quarter consolidated net income at $C11.5m., or $C1.79 per share, against $C6.5m. in the same period of last year. For the first time Dome is including its equity in earnings of the 19 per cent.-owned Canada Tungsten Mining.

Dome also owns 57 per cent. of the gold-producing Campbell Red Lake Mines which estimates a first quarter profit of $C3.66m., or 46 cents per share, against $C2.56m. a year ago. The outlook for the Ontario gold mine is described as "very encouraging." Production is expected to be about the same as last year but costs are likely to continue to rise.

An improved earnings outlook is also reported at the Macassa gold mine in Ontario of Willroy Mines owing to the higher bullion prices. Exploration and development spending is estimated at a record $C420,000 this year while a further C$1.25m. has been budgeted for oil and gas exploration in Canada and the U.S.

Sherritt Gordon Mines has done better than expected in the first quarter with earnings of $C2.8m. or 20 cents per share, compared with $C2.7m. a year ago.

Of the news from America, Freeport Minerals reports first quarter earnings of $7.6m. (£4.6m.), equal to the earlier forecast 48 cents per share, compared with $8.1m. in the first quarter of last year. Mr. Paul Douglas, president of Freeport, said that Freeport Indonesia had made a loss ($1.1m.) compared with a profit ($2.1m.) a year ago.

Also reporting lower first quarter earnings, despite a reduction in copper production costs is Phelps Dodge. Consolidated net income for the period has fallen to $5.6m. (£3.1m.), or 20 cents per common share, from a restated $9.3m. a year ago.

Scott & Robertson rejects Fairbairn

A bid approach from Fairbairn Lawson for textile group Scott and Robertson appears to have fallen at the first hurdle with the Scott directors announcing yesterday that they were opposed to an offer of 40p cash a share. The approach first made on February 24 this year was conditional upon the directors recommending acceptance.

Mr. Noel De Monte, managing directors of Fairbairn whose interests include engineering, office furniture and packaging products, said that he was "amazed" at the publication of the Scott directors' rejection of the bid approach—which values the company at around £2m.

He said that Fairbairn had not been involved in any direct negotiations with Scott but they had been earlier informed of the directors' opposition. He said he thought that the group would have seen the industrial logic behind the Fairbairn proposals.

Given Fairbairn's traditional reluctance to become involved in contested takeovers it seems unlikely that this approach will be pursued. Mr. De Monte said last night however that Fairbairn would be waiting to see the effects of this latest development on Scott's share price before making any decision.

Scott Robertson's shares last night stood at 41p up 4½p following the rejection statement and the group's annual results also published yesterday.

ELECTRONIC MACHINE

Electronic Machine, which lost £267,000 pre-tax in the last full year and a further £123,000 in the first half of the current year, has now arranged the sale of the second of its major lossmaking subsidiaries within a fortnight of closing down the other.

Yesterday it announced that Advance Industrial Developments, a private Bournemouth engineering group, has agreed to pay £123,000 in cash in tranches for Panax Equipment, an EMC subsidiary which makes radioactive instrumentation. The deal depends on Panax's stocks being valued at no less than £180,000.

In the 11 months to March 31, Panax lost £85,000 compared with £133,000 in the year to April 30, 1977.

The sale of Panax comes within a fortnight of an announcement that EMC had closed down Ellvin, its metal pressing subsidiary, because losses had been impossible to contain. A month previously the company also announced that it was selling the freehold of Ellvin's Mitcham site for £500,000 and would be leasing it back for £37,000 per annum. That lease will now be for sale.

Following these moves the company believes that it will now return to profitability and borrowings will be reduced by the proceeds of the Panax and land sales to a more comfortable level. In the last accounts there was a deficit of £260,000 on net current assets.

However, Mr. T. M. Palmer, who takes over as sole managing director following the departure of Mr. E. G. Murray with the sale of Panax, warned that the land sale and the sale of Panax will be completed after the year-end while the figures for the year to April 30 will have to bear the extraordinary cost of closing Ellvin.

AIRCO MAY COST BOC £235M.

BOC International has said that the total cost of increasing its stake in Airco Incorporated in U.S. to 100 per cent. is likely be around £235m.

BOC which originally held ... per cent. of Airco has announced that it now holds 93 per cent. and its offer for the outstanding shares has been extended until May 5.

The deal has been funded by medium term loans from three British banks and London banches of five U.S. banks carrying an initial interest rate ¾ per cent. above the inter-bank rate. At current rates the interest bill will be about £20m. a year. The loans are repayable over ... years beginning at the end of 19...

Meanwhile the Airco board which includes three executive members from BOC—including BOC chairman Sir Leslie Smith—is due to meet on Thursday. It is unlikely, however, that there will be any sweeping board changes as a result of the increase in BOC's stake in Airco.

FURNESS WITHY SHARES JUMP

Shares of Furness Withy, the shipping group which was the subject of a tentative takeover approach from European Ferries last autumn, rose to 280p at one stage yesterday before falling back to 268p (a net gain of 19p on the day) after a denial from the company of any further bid talks.

Mr. Tom Pulley, Furness finance director, emphasised that there were no talks with anybody and that the company knew of no reason for the price rise.

Meanwhile, Mr. K. Siddle, managing director of European, said that its holding of 4.99 per cent. was unchanged. European was neither a buyer nor a seller but was monitoring Furness' performance.

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

...RTH AMERICAN NEWS

...ennecott confident of proxy victory

...Y JOHN WYLES

NEW YORK, May 2.

...AGEMENT of Kennecott ...er Corporation was con...t of victory late to-day in ...attle to stave off a proxy ...enge from Curtiss-Wright ...oration after a gruelling and ...ionally disorderly five-hour ...al general meeting.

...ne 1,200 people flocked to ...Plaza Hotel in New York ...norning, unsure of whether ... had been cheated of one ...e great corporate dramas ...year by a Federal District ... Judge who ruled yester...afternoon that Curtiss had ...ed securities laws and anti-...legislation. He permanently ...ued the company from vot...s 9.9 per cent. holding in ...ecott and from soliciting ...more proxies in support of ...oposal to replace the cop...mpany's 17 directors.

...tiss-Wright immediately set ... obtaining stay of execu...of the ruling which was ...d by Appeals Court judges about 15 minutes before the annual meeting was due to start. Proceedings finally got under way after a 15-minute delay, but Curtiss-Wright had clearly been badly shaken by a decision which the company's chairman, Mr. T. Roland Berner, said had been totally unanticipated, and which he claimed had cost it at least one block of half a million votes.

This may be crucial to the outcome of the battle. The official result of to-day's shareholder voting is due to be reported on May 16 and much depends on whether a full Appeals Court hearing and ruling is obtained before then. If a ruling is given in favour of Curtiss-Wright which is then found to have lost the proxy battle, observers expect the New Jersey company to seek a rerun of the proxy solicitations on the grounds that it was unjustifiably hurt by the District Court decision. A haggle over the validity of some of the proxy votes between Curtiss-Wright and Kennecott could prevent any firm declaration of voting until an Appeals Court ruling is obtained.

Curtiss-Wright's case for electing its insurgent Board had some resonance with shareholders' complaints against the company, namely that its profit performance in recent years had been weaker than was justified by the difficulties of the copper industry and that at least some of the $1.2bn. proceeds from the forced divestiture last year of the Peabody Coal company should have been distributed to shareholders.

Curtiss - Wright's proposed solution is to sell off Carborundum, acquired for $567m. out of the return from the Peabody sale and to distribute $40 a share to each shareholder surrendering half of his stake in Kennecott. Mr. Milliken and his fellow directors concentrated their attack on the impracticalities of this approach and it took an ordinary shareholder who said he had been to one general meeting in the last 15 years to present the case with a vigour that might have been expected from Kennecott's management.

"This is one of the most frightening things seen in American business for many years. We are seeing a large corporation endeavouring to seize another large corporation in order to make a big profit on the stock. A vote for Curtiss-Wright is a vote for the destruction of Kennecott," he said to loud applause.

After the meeting, Mr. Milliken disclosed that just before it started, the company had rejected a proposal from Mr. Berner that Kennecott and the dissident directors split the number of seats on the company's Board in proportion to the voting in the election.

Stock issue approved at Chrysler

By Our Own Correspondent

NEW YORK, May 2.

CHRYSLER CORPORATION to-day won shareholder approval for a Preferred stock issue designed to help the company finance a $7.5bn. capital expenditure plan for the next five years.

So far Detroit's third-largest car maker has not disclosed the possible size or terms of such an issue but has said it will sell some of the 20m. shares authorised to-day within the next month or two.

Management had to scramble vigorously for the 50 per cent. of outstanding stock needed to change the company's certificate of incorporation. Its efforts had run into a mixture of opposition stemming from the company's poor recent financial performance and shareholder disinterest.

In the event, some 32.768m. shares were mustered in favour of the proposal, or 54.34 per cent. of outstanding shares. More than 5.1m. or 8.5 per cent. were cast against the management's proposals which also included a request to increase the Common stock authorisation by 40m. shares. Chrysler said the additional Ordinary stock was needed to service an employee stock ownership scheme.

Following the first-quarter loss of more than $119m. there was speculation that Chrysler's dividend might be cut. But after to-day's meeting, chairman Mr. John Riccardo said he would recommend that the directors maintain the 25 cent quarterly dividend. Earlier he told the annual meeting in Detroit that management was aggressively trying to build "a totally new, modern and more competitive corporation."

Meanwhile, Chrysler president Mr. Eugene Cafiero told the meeting that he is confident that the British operation will finish the year in the black after a first-quarter profit of £264,000. Chrysler (U.K.) sales were up almost 55 per cent. in the period over the same 1977 quarter.

U.S. CAR COMPANIES

Margins pose a problem

BY JOHN WYLES IN NEW YORK

THE QUARTERLY profit and loss figures published last week by the three major U.S. car manufacturers contain the seeds of a substantial problem for the Carter Administration's anti-inflation policy. General Motors, whose leadership of the industry is always sensitively attuned to its own relations with Washington, was predictably alert to the problem on Friday afternoon, when it coupled an announcement of a general 1.4 per cent. price increase with a statement of support for the President's quest for a deceleration of cost and price increases.

The significance of GM's announcement at the end of a week in which both the Detroit number one and Ford had revealed an erosion in profit margins, while Chrysler had plunged to a record first quarter deficit, cannot be underestimated. Neither GM nor Ford is expected to match last year's peak profits in 1978, because of the sales cycle and the maturity of the current U.S. economic recovery. But their performance this year could be very much poorer if, as GM indicated on Friday, it is seeking to dance to President Carter's tune by holding this year's price increases below the 6 per cent. level of last year.

Leadership of this kind on the question of prices could not only weaken GM's performance, but it could also sharply erode margins at Ford and Chrysler, whose ability to absorb increased costs and to generate funds for capital investment is limited by their lower volume sales. If, on the other hand, GM finds itself able to absorb higher costs of labour and materials only at the expense of substantially reduced profits, then its undertakings in the spring may well be put to one side by the winter, and the President may find the nation's leading consumer product industry out of step with his anti-inflationary programme.

Although Mr. Robert Strauss, the President's champion in the battle with inflation, thought on Friday that GM's approach to price increases was "responsible," the company's announcement contained gentle warnings of future difficulties. GM warned that its steel costs had already climbed 9 per cent. this year, and claimed that its labour costs are rising at an annual rate of 10 per cent. The steel companies have already warned that they may introduce higher charges later in the year, and this in turn will put more pressure on the motor industry's costs.

It is now virtually certain that the car companies will have to shoulder these cost burdens on lower volume sales than last year. Although GM is still faithful to its prediction of a record 15.5m. cars and trucks for 1978, most analysts put the likely sales total at about 1m. less, with car sales falling 300,000-400,000 short of last year's 11.2m. GM plans to spend $3.8bn. on tooling and capital investment in 1978, Ford $2.6bn. and Chrysler $775m., and reduced profits and profit margins will make such expenditures more taxing for each of the three companies.

In response to a suit filed in the Manhattan Supreme Court alleging that Ford Motor had extended an exclusive concession to Canteen Corporation to supply food and drinks at various offices and factories, Mr. Henry Ford II, the chairman, said that Canteen Corporation was only one of 50 such suppliers, taking less than a quarter of Ford's U.S. business and an even smaller share overseas.

GM graphically signalled the profits squeeze when it published its quarterly results last week. At $14.9bn., sales in the first quarter were 10 per cent. up on the same period last year, but income was 3.7 per cent. down because, said GM, "inflationary pressures continued to have an unfavourable effect no the corporation's net income and profit margin." The latter tumbled 0.9 per cent. to 5.8 per cent. from the first quarter last year. Ford encountered exactly the same difficulty. Its North American dollar sales rose 7 per cent., but profits tumbled nearly 23 per cent. to $232.2m. In fact, Ford was saved from an extremely disappointing first quarter by its overseas operations, which contributed an unexpectedly high $234m. to net income. While Ford's profit margin fell from 5.3 to 4.7 per cent., Chrysler proved totally incapable of coping with a 15 per cent. drop in sales, higher tooling and launch costs and substantial losses overseas.

An added pressure on Detroit's profit margins is coming from the sales mix forced on the car industry by the Government's fuel economy regulations. The American consumer has proved far more willing to embrace the smaller car than even the companies had hoped. Profit per unit is lower on the small car, and both GM and Ford have shaved prices on their most diminutive models to head off the challenge of imports. Partly as a result, dealer sales of the smallest sub-compacts have risen 29.5 per cent. compared with the same period last year. Sales of intermediate and full-sized cars, the real profit spinners, have fallen by 8.7 and 10.6 per cent. respectively.

Against this background of tightening margins, GM's announcement of last Friday contained one other element of great significance. For many years, Detroit has adjusted its prices in September at the start of each new model year, but GM now says that "as part of its anti-inflation efforts under the President's programme," it will move away from once a year pricing to "interim adjustments to achieve deceleration of prices." It is not too cynical to foresee a situation towards the end of the year where the administration will have difficulty staging a fight with Detroit over a 1 per cent. increase in prices which could have followed four previous increases totalling 5.5 per cent. This may be a comforting prospect for those preoccupied with the car industry's profits, but there would be no rejoicing in the White House.

Air Liquide deal with ...llegheny

...tewart Fleming

NEW YORK, May 2.

... Liquide, the leading ... industrial gases producer, ...eached agreement on a ... expansion of its U.S. ...rial gases business with the ...ed acquisition for around ... of the bulk of Allegheny ... Industries gases ...

...gheny, which had sales ... last year of $1bn., ...y acquired a 44 per cent. ... in the U.K. company ...son Match and is primarily ... in the specialty steels ...ss.

... year is acquired ...tron, which had a large ...ial gases division, and it is ... business, excluding its ... dioxide facilities, which ...iquide's U.S. subsidiary is ...

... Liquide's U.S. operations ...ndled through a 79 per ...controlled subsidiary, the ...ancisco-based Liquid Air. ... Air's minority stock is ... over the counter in the ... last year, its sales revenues ... $284.8m. and net income ... 9.9m.

...eturn for its industrial ... business, Allegheny will ... one third interest in the ...ry shares of Liquid Air ... on the price of Liquid Air ...n over the counter ... recently of $38.25, this ...alue on the transaction of ... 87m.

...heny is not disclosing the ...venues or earnings of the ... it is disposing of.

... L'Air Liquide deal with ...ny strengthens its U.S. ...ons, and coincides with ...ch larger expansion in the ... one of its chief inter... rivals, BOC Inter..., which has taken control ..., one of the largest indus... gases producers in the ... with sales revenues of ... last year. Of this, gases ...counted for $330m.

Merrill for talks on White Weld

BY DAVID LASCELLES

NEW YORK, May 2.

MR. DONALD REGAN, chairman of Merrill Lynch, the largest U.S. securities firm, confirmed to-day that his company will shortly be meeting officials from the Anti-Trust division of the Department of Justice about its recent acquisition of White Weld, another Wall Street broker. But he described it as "a normal inquiry" which the company had expected, and he did not "anticipate any harmful effects."

Mr. Regan, who was addressing the annual shareholders' meeting, defended the acquisition, which marked one of the largest mergers of Wall Street brokers, as a good arrangement for both parties since it brought together White Weld's expertise in mergers, private placements and energy financing with Merrill Lynch's strength in utility and bank financing.

Mr. Regan made no comment about a recent Wall Street Journal report which said that White Weld and Company, the major subsidiary of White Weld Holdings, had recently begun to incur heavy losses.

However, in his address to the meeting, Mr. Regan departed from the prepared text, which described White Weld at the time of the merger as "a healthy, viable firm" to qualify it as a "well-known and respected firm." The company later denied that the change was significant.

It is possible, however, that Merril Lynch is preparing for its encounter with the Justice Department when it may wish to defend the acquisition on the grounds that it strengthened White Weld's financial position.

Commenting on the big Wall Street rally in the second half of last month, Mr. Regan said that his company believed the stock market reached its low for the year in late February, and that the rally signalled a "real turnaround." Some of the strongest trends were in non-institutional stocks, he said.

Also, in the first quarter of this year, the individual investor had become a net buyer for the first time since 1969, though he sold heavily again in April. But Merrill Lynch is not optimistic. It expects the economy to slow down again by early next year, and gives an actual recession a near 50 per cent. probability.

Coca-Cola predicts rise

NEW YORK, May 2.

COCA-COLA reports net income for the first quarter up from $65.68m. on 53 cents a share to $73.93m. on 60 cents a share. Sales increase from $785.6m. to $891.9m.

Coca-Cola said that unit sales of soft drinks in the U.S. during the first quarter were only slightly higher than a year ago due to the severe winter weather. Stronger domestic unit gains are expected for the remainder of the year.

Overseas soft drink unit sales during the quarter were ahead of the previous year by more than 10 per cent., led by strong gains in Latin America and the Pacific. Among Coca-Cola's five largest foreign markets, Brazil, Japan and Mexico all reported strong volume gains while Canada and Germany were up moderately. The company expects the good foreign volume gains to continue, and predicts continued sales and earnings gains throughout the rest of the year.

Agencies

Take-over bid for Hyatt

CHICAGO, May 2.

HYATT Corporation's principal stockholders, the Pritzker family, are to offer $15 a share for publicly held stock of the hotel operator.

The Pritzker family owns 2.8m. Hyatt shares or about 35 per cent. of the total outstanding. Hyatt said that the investment banking firm of Drexel Burnham Lambert and the financial evaluation firm of Standard Research Consultants have been retained to determine the fairness of the proposed Pritzker offer.

AP-DJ

...FLY ...vance at ...use-Hinds

THE companies report... in net profit for the ...rter of 1978 compared ... same 1977 period was ...Hinds, with 56 cents a ...gainst 46 cents. Also ...s Central Telephone and ... Corporation, with 72 ...gainst 66 cents, Purex ... against 46 cents), and ... James with 70 cents ...3 cents. Di Giorgio man...se to 30 cents from 21 ...with Philip A. Hunt ... showing a same again ... in a similar situation ...ce again with 95 cents. ... Holding Corporation ... with 63 cents against ...nts a share for the first ... last year, while Clorox ...9 cents again this time. ... Corporation, however, $1.34 from $1.06 while ... was also well ahead ...ts against 53 cents. Ideal ...ndustries managed 58 ...ainst 50 cents, while ...porting its second quar...ved 94 cents, up from ...ents for the same time ... Showing first quarter ... the other hand were ...International which for ... to March 26 shows 69 ...share against 78 cents. ...dustries was also lower ...inst $1.15, while Alpha ... Industries reports a ... this time of $751,000. ...re was in a similar situa...its third quarter show... of $794,000 against a ... from continuing opera... the same period of last

Atlantic Richfield sees sales rise

LOS ANGELES, May 2.

ATLANTIC Richfield expects 1978 sales of about $12bn. compared with $11.4bn. last year, company president Mr. T. F. Bradshaw told the annual meeting. He made no earnings forecast, although the company's growth is on target.

In the first quarter of this year, Arco earned $1.23 a share compared with $1.20 in the year-ago period.

Reuter

U.S. QUARTERLIES

AMERICAN STANDARD		
First Quarter	1978 $	1977 $
Revenue	515.0m.	444.0m.
Net profits	26.0m.	24.0m.
Net per share	1.88	1.34

ELECTRONIC DATA SYSTEMS		
Third Quarter	1978 $	1977 $
Revenue	57.0m.	43.0m.
Net profits	5.0m.	4.0m.
Net per share	0.39	0.35

EMERSON ELECTRIC		
Second Quarter	1978 $	1977 $
Revenue	570.0m.	466.0m.
Net profits	44.0m.	37.0m.
Net per share	0.77	0.64

GULF RESOURCES & CHEM.		
First Quarter	1978 $	1977 $
Revenue	85.0m.	90.0m.
Net profits	1.0m.	5.0m.
Net per share	0.05	0.57

HALLIBURTON		
First Quarter	1978 $	1977 $
Revenue	1.4bn.	1.2bn.
Net profits	79.0m.	68.0m.
Net per share	1.34	1.16

INT. FLAVORS & FRAGRANCES		
First Quarter	1978 $	1977 $
Revenue	90.0m.	80.0m.
Net profits	14.0m.	11.0m.
Net per share	0.38	0.31

NAT. MEDICAL CARE		
First Quarter	1978 $	1977 $
Revenue	36.0m.	30.0m.
Net profits	3.0m.	3.0m.
Net per share	0.71	0.57

PIONEER		
First Quarter	1978 $	1977 $
Revenue	133.0m.	122.0m.
Net profits	11.0m.	12.0m.
Net per share	1.13	1.25

QUAKER OATS		
Third Quarter	1978 $	1977 $
Revenue	412.0m.	384.0m.
Net profits	20.0m.	15.0m.
Net per share	0.97	0.70

UNITED ENERGY RESOURCES		
First Quarter	1978 $	1977 $
Revenue	527.0m.	402.0m.
Net profits	24.0m.	22.0m.
Net per share	2.08	1.87

INSURANCE IN THE EEC

Another step towards integration

BY GUY DE JONQUIERES IN BRUSSELS

IF MANY British insurers take a somewhat jaundiced view of the EEC these days, it is understandable. Only a few years ago it was widely supposed that the industry would be a prime beneficiary of entry. Community membership was confidently expected to open up new markets in which U.K. insurers' competitiveness and expertise would quickly win them a position of commanding strength, while the balance of payments gained from the accompanying increase in invisible earnings.

But the legal and technical barriers to expanding EEC business have proved far more obstinate than anyone had imagined, and little real progress was achieved during the first five years of Britain's membership in dismantling them. Countries like France, which subject their insurance companies to a stifling array of restrictions, have been unwilling to consent to changes which would lessen state control over the sector, thereby keeping the incentive for outsiders to enter their markets to a minimum.

Indeed, some of the measures taken so far by the EEC in the name of liberalisation have inadvertently created more restrictions than they have removed. As a result, British insurers have continued to concentrate on those overseas markets, like North America, where they are already well-established and enjoy considerable freedom of operation. The proportion of their international revenues coming from the EEC—about 11 per cent. last year—has barely increased since entry.

Recently, however, efforts to create a genuine common market in insurance have received some new impetus Earlier this month, EEC finance ministers approved in principle a directive which will eliminate most of the existing obstacles to cross-frontier co-insurance in the community. When it takes effect after a two-year delay for ratification it will enable companies from different countries to enter freely into joint contracts to underwrite major liabilities like tankers and oil rigs. By allowing the risks to be spread more widely, the directive should relieve pressures on the capacity of national markets.

Compromise

Encouraged by this success, the finance ministers have agreed to consider in June another proposal which would grant life insurance companies the right to establish themselves anywhere in the EEC. Two main points remain to be settled before it can be approved. One is highly technical and concerns the way in which companies should establish their "solvency margins." A compromise appears to be shaping up which would permit insurers to choose between the actuarial method in use in Britain and a less sophisticated system, based on past financial performance, which Germany and some other countries would like.

The second issue is more sensitive politically and centres on the treatment of composite insurance companies, which do both life and indemnity business. These firms are rare in the EEC outside Britain and are, indeed, currently banned by law in several EEC countries on the grounds that profits from one side of the business could be used to subsidise under-cutting or losses on the other.

There seems a good chance that the nine will meet half way by agreeing to review the operations of composites at some future point. Meanwhile, an interim regime must be devised to allow composites to establish themselves in countries where they are banned at present by national law. The most likely solution would be to permit them to set up branches for one line of business and to require them to handle the other through subsidiaries.

Despite the complexity of the issues involved, agreement on freedom of establishment would only be a very preliminary step, which would eliminate overt discrimination by laying down basic criteria for licensing and official supervision. A further directive would be needed to harmonise national regulations on actual operations and key issues like the physical location of reserves. However, more than token liberalisation would also require a significant dismantling of national exchange controls—a development that seems unlikely in the near future.

For these reasons, the non-life sector is attracting rather more attention from EEC officials. The right to freedom of establishment in this field was established several years ago, and there is cautious optimism in Brussels that approval of the co-insurance directive may clear the way for a companion proposal to break down national barriers to coverage of large commercial risks, particularly in transport. Because this would apply only to traders, it will not be necessary to spend time drawing up elaborate codes of protection to safeguard the interests of the ordinary man in the street.

Solution

One of the trickier problems involved, the matching of assets and liabilities, appears already to be on the way to a solution. British insurance companies are required only to match foreign assets and liabilities on an overall basis. But France has been insisting that liabilities be matched exactly by assets denominated in the currency of the country where the risk is located. The French aim is to prevent insurance companies from using their currency holdings for speculative purposes. But its demands would also impose impossibly severe constraints on companies' operations.

It is a sign of progress that France agreed to surrender this principle when it approved the co-insurance directive—though a precise formula for matching of assets has still to be hammered out.

It did so under strong pressure not only from Britain but also from Germany, whose growing interest in international insurance activities is viewed by EEC officials as a powerful source of support for further moves towards liberalisation.

Two other thorny issues have still to be tackled—contracts and taxation. In the British view, it is up to the parties to a contract to agree whatever they like and for the courts to sort out any resulting disputes. On the continent, by contrast, the terms of contracts are strictly defined in law and must conform to a model policy sanctioned by the official supervisory body.

Premiums are not subject to tax in the U.K. but are liable to VAT in most continental countries. Under EEC law, this discrepancy could give rise to distortions of competition because it gives British insurers a commercial advantage.

The Commission believes that it may be possible to circumvent—if not actually remove—both obstacles by limiting the degree of harmonisation required at this stage. It is thus proposing that for the moment the tax of the country where a specific item of business is located should apply, while the parties to a contract should be permitted to choose between the law of the country of the insurer and the country of the insured, where these differ.

Arrangements of this kind could work, it argues, at the big end of the market, where business is handled by sophisticated professionals on both sides. But much more painstaking work will have to be done to eliminate barriers before the EEC can claim to have created a common market in insurance that means something to the ordinary European citizen.

VMF-Stork order books continue to shrink

By Charles Batchelor

AMSTERDAM, May 2.

VMF-Stork, the troubled Dutch engineering group, said new orders declined in the first three months of 1978, continuing the trend of the past two years. Orders were more than 10 per cent. lower than in the same 1977 quarter after falling to Fls.1.77bn. in 1977 from Fls.1.9bn. the year before.

VMF-Stork must reduce capacity by 10 per cent. from its maximum level of about Fls.2bn., managing board chairman Mr. Feyo Sickinghe told a Press briefing.

The company sees no reason to change its earlier forecast that losses will continue this year after the loss of Fls.132.9m. in 1977. The size of this year's loss will depend on the speed with which the reorganisation of the company can be carried through and general economic trends.

It is currently carrying out a restructuring of its loss-making divisions with the help of Fls.235m. of government aid. Cutbacks in VMF-Stork's problem sectors are expected to lead to the loss of nearly 1,400 jobs this year, while a further 400 will be lost due to natural wastage. This follows a fall of more than 1,800 last year, taking the workforce to 19,766 on January 1.

Cutbacks already overtaken in the plastics processing machinery and foundry divisions are expected to have a positive influence on this year's result. VMF-Stork also hopes for an upturn in export demand this year after 1977, when there were no big foreign orders.

Five of VMF-Stork's seven divisions made a profit of Fls.31m. in 1977, but this was not enough to compensate for an operating loss of Fls.59m. and reorganisation losses of Fls.90m. The loss-making areas were paper and textile machines and heating and lighting technology.

The energy and engineering divisions in particular have seen order volume much reduced over the past three years. VMF-Stork also suffered a decline in orders from developing companies which it attributed to the lack of adequate Government aid. Developing countries accounted for 13 per cent. of new orders in 1977, compared with 17 per cent. the year before.

Generale Alimentaire to disappear in Goldsmith reshuffle

BY DAVID WHITE

PARIS, May 2.

SIR JAMES Goldsmith's French master company, Generale Occidentale, is taking over direct control of the French food interest previously grouped under its subsidiary, Generale Alimentaire.

In a move said by the company to be aimed at simplifying the group's structure and reducing its fiscal burden, Generale Alimentaire will disappear, leaving the master company with its French operations on the one hand and, on the other, its international operations grouped under the U.K. company Cavenham.

Sir James separated Generale Alimentaire from Cavenham, which previously controlled it, after tying up his full ownership of the British group last year. GO holds about 98 per cent. of Generale Alimentaire. The latter's operations, under the new plan, will be taken over by three newly-formed subsidiaries of the master company, Unalim, Bialim and Trialim. Unalim will run the cakes and desserts division, Bialim condiments and spices, and Trialim confectionery.

The transfer is to be undertaken by the issue of shares by the three new companies, made over nominally to Generale Alimentaire. These will then be transferred to the master company under a deal which offers Generale Alimentaire's minority shareholders shares in GO.

GO will issue 29,090 new shares for this purpose, to be distributed to minority shareholders on the basis of one for every two shares they hold in Generale Alimentaire.

Generale Alimentaire is thus being suppressed by a process which first brought it under direct control, is now turning it into a holding company and will eventually merge it with GO. All the group's interests outside France, including several previous subsidiaries of Generale Alimentaire, now come under Cavenham.

Last week, GO increased its stake in the French l'Express magazine group to about 66 per cent. Sir James becomes chairman of the group, in which the family of the French politician Jean-Jacques Servan-Schreiber has a blocking interest.

Chrysler-France reverse

BY OUR OWN CORRESPONDENT

PARIS, May 2.

CHRYSLER Corporation's French manufacturing subsidiary—is due to pay almost doubit its previous dividend to the parent company this year, despite a sharp fall in its 1977 profits.

Provisional figures from Chrysler-France, which is 99.9 per cent. owned by the U.S. group, showed that net earnings last year dropped to Frs.47m. ($10.2m.) from Frs.215m. in 1976. The proposed gross dividend, on the other hand, is up from Frs.6.50 to Frs.13.50.

A company representative said the increase was aimed at establishing a "normal dividend policy." The dividend paid last year was held down to comply with government curbs despite a record profit in 1976.

When the two years' earnings figures and dividends were taken together, the pay-out was about 22 per cent., "not abnormal" as a share of profit, he said.

The dividend will be only the third Chrysler-France has paid. The first was in 1974, and the dividend was omitted in the following two years because of heavy losses. Before 1974 the company had followed a policy of reinvesting its profit in France.

The company said its 1977 result was affected by exceptional costs, especially the preparations for its Simca Horizon range of small cars, which went into production this year.

Difficult trading conditions had also added to costs although unit sales were good, and Government curbs had kept the increase in manufacturers' prices well below the general inflation rate. But the company expressed some optimism that the promised relaxation of industrial price controls in the second half of this year would improve the picture.

Audi NSU profits up sharply

BY OUR FINANCIAL STAFF

A SHARP rise in profits and a major capital investment plan were announced yesterday by Audi NSU, the quality car subsidiary of Volkswagen.

In 1977 net profits rose by 58 per cent. to Dm.87m. ($44m.) on sales not quite two-fifths higher at Dm.4.23bn. Production in the current year is expected to average out at around the 1977 levels.

Audi plans to invest around a total Dm.1bn. ($250m.) this year and in 1979, company finance director Wilhelm Neuwald told a Press conference. The chief aim is for rationalisation and replacement of old plant. Around one-third of the amount will go to the Neckarsulm factory and the major portion to Ingolstadt.

Almost half of the investment is for model development, with the Audi 80 to be superseded although no details were given.

Lossmakers in Sweden

BY WILLIAM DULLFORCE

STOCKHOLM, May 2.

ONE IN FOUR of Sweden's biggest 200 companies made a loss last year, according to a compilation of the 1977 results published by Veckans Affaerer, the Stockholm economic weekly. This survey documents the drastic plunge in Swedish corporate profits, which took place last year and which had begun to crystallise as individual company reports came in.

The 200 largest companies by sales registered overall pre-tax earnings of only Kr.304m. ($66m.), giving a margin of only 0.1 per cent. on total sales. This compares with a margin of 6.9 per cent. for the top 200 in 1974 and 2.3 per cent. in 1976.

The combined losses of the 25 per cent. of companies, which finished in the red, totalled Kr.7.45bn. against Kr.2.25bn. in 1976, when one in six showed a loss. The 1977 figure is swollen by the extraordinarily heavy losses returned by two State-owned concerns—the shipbuilding group Svenska Varv, which reported a loss of Kr.2.2bn., and Statsfoeretag, the State industrial holding company, which returned a Kr.1.2bn. loss.

Graenges with a Kr.804m. loss and Uddeholm with Kr.575m. were the most badly affected of the private companies. On the other hand, one in four of the top 200 improved earnings last year, although the majority of these were smaller companies. The table of the most profitable concerns is headed for the second year running by a subsidiary of a foreign concern, Rank Xerox, which had a profit margin of just under 23 per cent.

For the first time since 1968 the companies' capital spending declined. Investments fell by 5.1 per cent. from Kr.23.7bn. to Kr.22.5bn

$22m. FEMSA stake for Bosch

By Robert Graham

MADRID, May 2.

ROBERT BOSCH group of West Germany is to pay $22m. for the 51 per cent. stake it is acquiring in Fabrica Espanola de Magnetos (FEMSA), Spain's leading supplier of electrical equipment to the automotive industry. According to Mario Caprile, president of FEMSA, the acquisition will take place through a one-for-two capital increase and be completed by June.

Explaining the deal, which has just been concluded, Sr. Caprile said that Bosch had been brought in as a partner to consolidate FEMSA's future, in particular in anticipation of Spanish entry into the EEC. He said FEMSA, which relies almost exclusively on supplying the motor industry, descided on a major expansion programme in 1974 based on the assumption that by 1978 Spain would be producing 1.5m. vehicles a year.

EUROBONDS

New issue volume curbed

BY MARY CAMPBELL

THE dollar sector fell back somewhat yesterday in belated reaction to the interest rate rises in the United States and following Eurodollar rate rises.

The D-mark sector however, was steady. The main news was that the Capital Markets Sub-Committee had agreed a limited volume of issues and only for the first half of this month.

It will meet again to reassess the condition of the market before agreeing the calender for the second half of the month.

The schedule for the first half of May comprises four issues totalling a relatively low DM340m. The Committee will meet again on May 12.

Meanwhile, the D-mark sector is expected to be relatively quiet this week since Thursday's Ascension day holiday follows so closely on Monday's holiday.

The detailed list of underwriters for Canada's DM600m. issue is not yet complete, but about 35 institutions have been invited. Clarifying a point raised by some institutions, the lead manager, Deutsche Bank, said yesterday that its present intention is to hold the DM500m. six-year Canadian notes it is taking onto its own books until maturity.

A new guilder foreign bond was launched yesterday—Fls.75m. for ten years for the Republic of Finland. It offers a 7¾ per cent. coupon.

Due for announcement soon is a 150m. Saudi Riyal issue for Morocco's Banque Nationale de Developpement Economique.

Caisse Nationale de Telecommunications' $75m. issue is to be priced to-day. A discount is certain.

● Cedel, the Luxembourg-based international bond clearing system, is looking into ways of establishing a link with the Asian dollar bond market, Reuter reports from Singapore. Among possibilities being examined is an on-line link with a bank in Singapore acting as cedel depository, similar to the link already operating between cedel and the New York bond market.

BNP ahead

Profits higher by 13 per cent. at the net level are announced for 1977 by Banque Nationale de Paris, one of the largest banks in France, Agencies report from Paris.

Consolidated net profits are Frs.406m. against Frs.358m. The dividend is Frs.24.75 a share on capital increased by almost a fifth, compared to Frs.28.08 in 1976.

	Bid	Offer
STRAIGHTS		
Alcan Australia 8½pc 1989	96½	97½
AMEV 8pc 1987	97½	98
Australia 8½pc 1992	94½	95
Australian M. & S. 9½pc '92	97½	98½
Barclays Bank 8½pc 1992	97	97½
Bowater 9½pc 1992	97½	98½
Can. N. Railway 8½pc 1986	97½	98½
Credit National 8½pc 1986	97½	98
Denmark 8½pc 1984	100	100½
ECS 9pc 1993	98½	99½
ECS 8½pc 1997	93½	94
EIB 8½pc 1992	98½	99½
EMI 9½pc 1989	98	98½
Ericsson 8½pc 1989	96½	97½
Esso 8pc 1986 Nov	101½	102
Gt. Lakes Paper 8½pc 1984	98½	99½
Hamersley 9½pc 1992	100	100½
Hydro Quebec 9pc 1992	95½	96½
ICI 8½pc 1987	97½	98½
ISE Canada 9½pc 1986	104½	105
Macmillan Bloedel 9pc 1992	96	96½
Massey Ferguson 9½pc '91	97	98
Michelin 9½pc 1988	102	102½
Midland Int. Fin. 8½pc '92	98½	99
National Coal Bd. 8pc 1987	94½	95½
National Wstmnstr. 9pc '86	101½	102
Newfoundland 9pc 1989	99½	100½
Nordic Inv. Bk. 8½pc 1988	98½	99½
Norges Kom. Bk. 8½pc 1992	97½	98½
Norpipe 8½pc 1989	96½	97½
Norsk Hydro 8½pc 1992	96	96½
Oslo 9pc 1988	100½	101½
Ports Autonomes 9pc 1991	98½	99
Prov. Quebec 9pc 1995	96	96½
Prov. Saskatch. 8½pc 1986	99½	100½
Reed International 9pc 1987	93	93
RHM 9pc 1992	93½	94
Selection Trust 8½pc 1989	91	92
Skand. Enskilda 9pc 1991	99½	100½
SKF 8pc 1987	93½	94
Sweden (K'dom) 8½pc 1987	96½	97
United Biscuits 9pc 1989	99	99½
Volvo 8pc 1987 March	93	93½
NOTES		
Australia 7½pc 1984	96	96½
Bell Canada 7½pc 1987	93	93½
Br. Columbia Hyd. 7½pc '85	94	94½
Can. Pac. 8½pc 1984	99½	100½
Dow Chemical 8pc 1986	98	98½
ECS 7½pc 1982	[illegible]	97½
ECS 8½pc 1989	95½	96½
EEC 7½pc 1982	97	97½
EEC 7½pc 1984	96	96½
Enso Gutzeit 8½pc 1984	97½	98
Gotaverken 7½pc 1982	97½	98½
Kockums 8pc 1983	97½	98½
Michelin 8½pc 1983	99½	100½
Montreal Urban 8½pc 1981	100½	101½
New Brunswick 8pc 1984	97½	98½
New Bruns. Prov. 8½pc '83	100½	101½
New Zealand 8½pc 1986	98½	99½
Nordic Inv. Bk. 7½pc 1984	96½	97
Norsk Hydro 7½pc 1982	97½	98
Norway 7½pc 1982	96½	97
Ontario Hydro 8pc 1987	96½	97
Singer 8½pc 1982	100½	101
S. of Scot. Elec. 8½pc 1981	100	100½
Sweden (K'dom) 7½pc 1982	97	97½
Swedish State Co. 7½pc '82	97½	98
Telmex 9½pc 1984	99½	100½
Tenneco 7½pc 1987 May	94½	95
Volkswagen 7½pc 1987	95½	96½
STERLING BONDS		
Allied Breweries 10½pc '90	[illegible]	[illegible]
Citicorp 10pc 1993	[illegible]	[illegible]
Courtaulds 9½pc 1989	[illegible]	[illegible]
ECS 9½pc 1989	[illegible]	[illegible]
EIB 9½pc 1988	[illegible]	[illegible]
EIB 9¾pc 1992	[illegible]	[illegible]
Finance for Ind. 9¾pc 1987	[illegible]	[illegible]
Finance for Ind. 10pc 1989	[illegible]	[illegible]
Fisons 10½pc 1987	[illegible]	[illegible]
Gestetner 11pc 1988	[illegible]	[illegible]
INA 10pc 1988	[illegible]	[illegible]
Rowntree 10½pc 1988	[illegible]	[illegible]
Sears 10½pc 1988	[illegible]	[illegible]
Total Oil 9pc 1984	[illegible]	[illegible]
DM BONDS		
Asian Dev. Bank 5½pc 1988	[illegible]	[illegible]
BNDE 6½pc 1986	[illegible]	[illegible]
Canada 4½pc 1983	[illegible]	[illegible]
Den Norske Id. Bk. 6pc '90	[illegible]	[illegible]
Deutsche Bank 4½pc 1983	[illegible]	[illegible]
ECS 5½pc 1990	[illegible]	[illegible]
EIB 5½pc 1990	[illegible]	[illegible]
Elf Aquitaine 5½pc 1988	[illegible]	[illegible]
Euratom 5½pc 1987	[illegible]	[illegible]
Finland 5½pc 1986	[illegible]	[illegible]
Forsmarks 5½pc 1990	[illegible]	[illegible]
Mexico 6pc 1985	[illegible]	[illegible]
Norcem 5½pc 1989	[illegible]	[illegible]
Norway 4½pc 1983	[illegible]	[illegible]
Norway 4¼pc 1983	[illegible]	[illegible]
PK Banken 5½pc 1988	[illegible]	[illegible]
Prov. Quebec 6pc 1990	[illegible]	[illegible]
Rautaruukki 5½pc 1986	[illegible]	[illegible]
Spain 6pc 1988	[illegible]	[illegible]
Trondheim 5¾pc 1988	[illegible]	[illegible]
TVO Power Co 6pc 1988	[illegible]	[illegible]
Venezuela 6pc 1988	[illegible]	[illegible]
World Bank 5½pc 1990	[illegible]	[illegible]

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 8 1/16pc	99½	100½
BFCE 1984 8½pc	99½	100½
BNP 1983 8 1/16pc	100½	101½
CCF 1983 8pc	100	100½
CGMF 1984 7½pc	99½	99½
Creditanstalt 1984 7½pc	99½	100½
Credit Lyonnais 1982 8pc	99½	100½
DG Bank 1982 7 13/16pc	100½	100½
GZB 1981 8 1/16pc	100½	101½
Intl. Westminster 1984 8pc	99½	100½
Lloyds 1983 7½pc	100½	100½
LTCB 1987 8pc	99½	100½
Midland 1982 8pc	101	101½
Midland 1987 7 11/16pc	99½	100
OKB 1983 7½pc	100	100½
SNCF 1985 8½pc	99½	99½
Std. and Chrtd. '84 7 11/16pc	99½	100½
Wms. and Glyn's '84 8 1/16pc	99½	100½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	89½	91
Ashland 5pc 1988	96	97½
Babcock & Wilcox 6½pc '97	98½	99½
Beatrice Foods 4¼pc 1992	98½	100
Beatrice Foods 4½pc 1992	106	108
Beecham 6½pc 1992	95½	96½
Borden 5pc 1992	101½	103
Broadway Hale 4½pc 1987	79	80½
Carnation 4pc 1987	78½	80
Chevron 5pc 1988	138	139½
Dart 4¾pc 1987	81	82½
Eastman Kodak 4½pc 1988	84½	85
Economic Labs. 4½pc 1987	77	78½
Firestone 5pc 1988	82½	84
Ford 5pc 1988	93	94½
General Electric 4¼pc 1987	88	89½
Gillette 4¾pc 1987	78	79½
Gould 5pc 1987	112½	114
Gulf and Western 5pc 1988	87	88½
Harris 5pc 1992	168	170
Honeywell 6pc 1986	80½	81
ICI 6¾pc 1992	87	88
INA 6pc 1997	96	97½
Inchcape 6¾pc 1992	114	115
ITT 4½pc 1987	84	85½
Jusco 6pc 1992	112	[illegible]
Komatsu 7½pc 1990	127½	[illegible]
J. Ray McDermott 4¾pc '87	145½	[illegible]
Matsushita 6½pc 1990	171	172
Mitsui 7½pc 1990	121	122
J. P. Morgan 4½pc 1987	95½	96½
Nabisco 5¼pc 1988	105½	106½
Owens Illinois 4½pc 1987	119½	121½
J. C. Penney 4½pc 1987	80	81½
Revlon 4¼pc 1987	115½	[illegible]
Reynolds Metals 5pc 1988	87	88½
Sandvik 6½pc 1988	110	111½
Sperry Rand 4¼pc 1987	92½	94
Squibb 4½pc 1987	80	81
Texaco 4¾pc 1988	87½	[illegible]
Toshiba 6¾pc 1992	126½	127½
Ty Co. 5pc 1984	77	79
Union Carbide 4¾pc 1982	97½	99
Warner Lambert 4½pc 1987	84½	86
Warner Lambert 4¾pc 1988	77½	79
Xerox 5pc 1988	50	51

Source: Kidder, Peabody Securities.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

STRALIAN COMPANIES

Shareholders Association hits at National Mutual

Y JAMES FORTH

SYDNEY, May 2.

AUSTRALIAN Shareers' Association has told the onal Mutual Life Associa- —Australia's second largest office—that it has a moral ation to make a takeover bid he entire capital of finan- Mercantile Credits. National ial recently decided to buy 30 per cent. shareholding in antile of the Hongkong and ghai Banking Corporation h, together with its existing per cent. equity, would give 57.8 per cent. interest.

e life office paid HKSB 06 a share, compared with then market price of 77 and to-day's price of ents.

tional Mutual *declined* to nd a comparable offer to ining shareholders, arguing stock exchange requires only covered situations where the shares purchased *already* constituted "effective control." In this case National *Mutual only gained* control by aggregating the HKSB holding *with its existing stake.*

Only a few weeks earlier, *National Mutual bought a controlling interest in Commonwealth Mining Investments from* Consolidated Gold Fields of Australia and on that occasion was forced by the exchange requirements to extend a comparable offer.

The Mercantile arrangement came under criticism and National Mutual announced that "in the light of possible uncertainties surrounding the position of minority shareholders" it intended to reduce its stake in *Mercantile to 49 per cent. "over* a period of time, without creating a disorderly market."

The ASA said regardless of any argument over "effective control." there seemed little doubt *that National Mutual* was now in effective control of Mercantile *and would remain in that position* even if its holding was *reduced to marginally below 50* per cent.

"*We believe National Mutual* has a moral obligation to extend *an offer to all other shareholders* on terms at least as favourable as those negotiated with the Hongkong and Shanghai Banking Corporation," the ASA said.

"The major financial institutions have an important position in the Australian securities industry and we believe that these institutions should set impeccable standards in complying with both the spirit and the letter of stock exchange regulations."

Tax boost for Swan Brewery

By Our Own Correspondent

SYDNEY, May 2.

SWAN BREWERY COMPANY raised its profit 74 per cent., from SA9.5m. to SA16.6m. (SUS18.8m.) in the year to March 28, mainly because of substantial taxation allowances.

The company provided only SA1.36m., compared with SA5.79m. in 1976-77. The major difference between the provision and the prima-facie tax level of SA8.36m. was a SA4.26m. reduction because of investment allowances and a SA2.54m. reduction of extraordinary items. The investment allowances reflect a SA70m. programme *currently under way to build a* major new brewery in Western *Australia.*

The dividend is lifted from 5 cents to 6 cents a share, and for the third successive year includes a "special bonus element" of 1 cent a share.

The dividend payout for the year is up from 8.5 cents to 9.5 cents, but directors caution that *maintenance of this level should* not be assumed because profits in coming years would be affected by interest and depreciation charges associated with the new brewery.

On a pre-tax basis, Swan increased earnings 22 per cent., from SA15m. to SA18.36m.

'RA attacks government actions

IY OUR OWN CORRESPONDENT

SYDNEY, May 2.

ZINC Riotinto of Australia a local offshoot of the U.K. ng house Rio Tinto-Zinc oration — believes that ns taken by Federal and governments in Australia ecent years made the laws policies affecting the mining stry "less consistent and *predictable.*"

e chairman, Mr. R. H. egie told shareholders at y's annual meeting in Melne *that uncertainties* led to ss of confidence which in *raised the return on invest-* needed to justify proceedwith a new investment. The ome was lower investment h in turn meant fewer jobs.

. Carnegie said the Federal rnment had indicated that as aware of the uncertain- facing foreign direct stors in Australia and was cious of the need to estab- the right climate to enage future investment. CRA omed a statement by the e Minister, Mr. Malcolm er, that it was studying as atter of urgency all matters h might *inhibit foreign in*nent in Australia.

"We have had *discussions* about the specific problems of Australian listed public companies now classified as foreign under the foreign investment legislation"

RTZ Holds more than 70 per cent, of CRA's capital, which has thwarted some of the group's attempts to expand through take-overs.

Mr. Carnegie's remarks came only one day after Australian group Howard Smith called off a proposed SA87m. joint takeover bid with CRA for New South Wales coal producer, Coal and Allied Industries Ltd. (CAIL). The offer was first made nine months ago but has been held up by the NSW State Government, which *is still* deciding whether it fits within *its recently announced guidelines* on foreign investment in the *NSW mining industry.* Howard Smith directors called off the *joint* bid because they had formed the opinion that the NSW Government was opposed to a significant CRA shareholding in CAIL.

Mr. Carnegie said that CRA *would hold further discussions* with the State Government about its attitude to CRA *participation* in CAIL and to investment in NSW generally, and would then review the position.

Mr. Carnegie said that CRA was unhappy with the CAIL situation and with the Federal Government's decision last year preventing it from maintaining *a major stake in the SA1bn. plus* Hail Creek coking coal project, *but allowing the U.S. oil major,* Exxon, to take a 25 per cent. stake.

"We still believe we could have made a significant contribution to CAIL—and the same applies to Hail Creek—but for reasons unknown to us the NSW Government appears to have decided other companies could make the same contribution," Mr. Carnegie said after the meeting.

"We would like to invest in coal where it represents a good commercial deal, but we are not in the *business of making* acquisitions just to get bigger.

"We *believe Australia is* being disadvantaged by our *classification as a foreigner,*" he added.

Ford Credit

Ford Credit Australia's profits rose 27.9 per cent. to a record SA2.3m. (SU.S.2.6m.) in 1977, AP-DJ reports from Melbourne. *The 1976 profit was SA1.8m. The* company's loans rose 33.7 per cent. to SA295.1m. during the last year. No dividend will be paid to the parent, Ford Motor Credit Company of the U.S.

Flour bid by Barrett Burston

Y OUR OWN CORRESPONDENT

SYDNEY, May 2.

EOVER activity in Australia ntinuing at a fair pace, with more bids having been unced. Australia's *largest* ster, Barrett Burston Ausa *is seeking to diversify with* 7.1m. (SUS8m.) bid for flour r *and stockfeed group,* oton Minifie McLennan. ett is offering two of its es for every five KMM s. The directors of both anies said they had reached agreement on a merger and that *the operations of the companies* were complementary and did not overlap.

In another diversification, Kemtron, the electrical products and lighting group, is offering SA3.00 a share cash for plant hire, property and investment company *CDF-Hooker.*

The directors of CDF-Hooker have already agreed to sell their 15 per cent. holding to Kemtron *and recommend the bid, which* is well above the stated asset *backing of SA1.80 a share.*

Kemtron incurred a SA746,000 loss in 1976-77 and has been recently disposing of assets to improve liquidity.

In another takeover situation, directors of Queensland timber group **Wilson Hart** have rejected a SA3.1m. bid from Queensland furniture maker Carricks.

Cash offer from Hongkong Land

By Daniel Nelson

HONG KONG, May 2.

HONGKONG LAND is making a SHK40 a share cash offer for the remaining 47.4 per cent. of its subsidiary, City Hotels. The bid for the 3.12m. SHK5 shares is valued at *SHK125m. (SUS27m.).* Hongkong Land general manager, Mr. *Trevor Bedford,* described the move as "a *common-sense rationalisation exercise,*" and said Land would have *greater participation in the* growth of the hotel group.

City Hotels last month reported a 1977 profit of SHK18.64m. (SUS4m.), up 4.66 per cent., and a final dividend of SHK1.40, compared with SHK1.35 the previous year. Before the announcement of the proposed deal, City shares were being quoted at SHK37 on the Hongkong Stock Exchange.

The giant Land company has also been named in rumours of a possible takeover bid for Hongkong and Kowloon Wharf.

● Hongkong and China Gas has declared an unchanged first quarterly dividend for 1978 of 19 cents a share.

SOUTH AFRICAN COMPANIES

Scotts Stores earnings dip despite jump in turnover

BY RICHARD STUART

JOHANNESBURG, May 2.

SCOTTS STORES, up to now one of the favourite growth stocks on the Johannesburg Stock Exchange, has reported sharply lower earnings for the year ended February. Pre-tax *profits at 23 per cent. down from* R4.7m. to R3.6m. (S4.1m.) despite a 3 per cent increase in turnover from R54m. to R74m. (S85m.). As a result, margins were slashed from 8.8 per cent. to 4.8 per cent.

At the after-tax level earnings were down more *severely* from R3.1m. at R2.1m. The company *is now paying a full tax* rate after several years of keep*ing the rate well below the* maximum. The reason for this *is that a loss at on of its shoe* factories was not offsettable against other profits.

In line with a 33 per cent. drop in earnings per share, the dividend has been cut from 49 cents to 35 cents, consistent with the company's stated policy of maintaining approximately a 2½ times cover.

The retail sector has been ex*ceptionally* hard-hit, and the lower profits result from excessive *markdowns in order to* move merchandise. The chairman, Mr. Des Scott, is not overly optimistic of a rapid restoration of margins and describes trading conditions as still being tough.

Premier Milling lifts dividend

BY OUR OWN CORRESPONDENT

JOHANNESBURG, May 2.

PREMIER MILLING, one of South Africa's major food groups and a subsidiary of Associated British Foods, has reported a marginally net profit of R21.9m. *(S25m.) higher earnings for the* year to March 31, against R21.0m. the previous year. Earnings a share are up 3.5 per cent. from 82.3c to 85.2c per share on a 20.5 per cent. turnover rise from R566m. to R682m. (S784m.). The dividend has been lifted 0.5c to 32.5c.

The company's chairman, Mr. Joe Bloom, says that growth in profitability was affected by adverse trading conditions in the margarine, feed, egg and poultry divisions. In addition, higher interest charges on additional *borrowings* raised to finance the large capital expen*diture programme also eroded* profits.

Second half profits were 10 per cent. lower than the first half, contrary to indications at the interim stage that profitability would improve in the second half. Gross profit margins are down from 7.5 per cent. to 6.7 per cent. year on year.

Trading conditions are expected to remain difficult, as a result of over-capacity in many of the industries in which the group *is engaged,* and profitability in the year ahead is *expected to improve only at a* modest rate.

The results were below market expectations, though at a 5.4 per cent. dividend yield at the current price of 600c, Premier Milling is still being accorded one of the highest ratings among South African industrial shares.

Halted Malaysian project may restart

BY WONG SULONG

KUALA LUMPUR, May 2.

A CONSORTIUM of Malaysian developers has put forward proposals to complete the building of the 44-storey Belmont centre in Kuala Lumpur. Work on the project stopped in 1976, following a liquidity crisis and the *subsequent collapse of the* owners, Belmont Properties SDN *Berhad.*

The consortium, comprising the Government - sponsored, Urban Development Authority, TAS, and Goodyear, have put forward proposals to the Belmont centre *purchasers and creditors.*

Under the proposals, purchasers of office and apartment units at the Belmont Centre *would be required to sign an* agreement with a new company, *accepting a 15 per cent.* increase to their original purchase price, or accept the new company's offer of 60 cents cash for each ringgit of Belmont's debts, or a settlement of 30 cents cash plus 45 cents in terms of lots in the Belmont Centre.

The consortium says that if the creditors and purchasers of Belmont *agree to the terms, and* if court approval transferring the assets and liabilities of Belmont to the new company is granted, the consortium is confident of completing the project within three years.

Mr. David Bloom, of Peat Marwick Mitchell, the special *manager for Belmont,* said that Belmont has total debts amount*ing to 16m. ringgits (SU.S.6.7m.).* Unsecured creditors, he said, *might receive no more* than 20 cents to the ringgit if no scheme of reconstruction was arrived at.

Eidai scheme approved

OSAKA, May 2.

OSAKA DISTRICT Court has *approved an application from* Eidai Company to reconstruct itself *under Japan's corporate* rehabilitation law.

Eidai, a leading plywood and prefabricated home manufacturer, declared debts totalling Y130bn. (S575m.) in February.

The court named two receivers —Mitsuru Ota, president of the Association of Smaller Busi*nesses in Osaka,* and lawyer Masanobu Iriye—to work out a *reconstruction plan by the end* of April next year. It scheduled a *meeting of creditors* for June this year.

The *receivers* said that they hoped to salvage Eidai over three years.

Reuter

$14m. loss at Triomf Fertilizer

By Our Own Correspondent

JOHANNESBURG, May 2.

TRIOMF Fertilizer Investments has reported a trading loss of R12.4m. (S14.3m.) for the financial year ended in December. The net loss, after attributing the portion due to outside shareholders, was R4.8m. Triomf's losses were incurred at the phosphoric acid facility established at the new port of Richards Bay. The cost of this factory was R94m., and it *has* come into production at a time of oversupply in world markets. *The phosphoric acid* market has hardened in recent *months, however, and Triomf is* expecting to produce an overall *profit in the year ahead.*

Triomf has a strong hold on the domestic fertiliser markets and profits from this source are expected to offset continuing export losses from the phosphoric acid plant.

Triomf, which in 1976 made a trading profit of R5m., and a *net profit of R5m.,* is jointly controlled by Louis Luyt and several large agricultural cooperatives.

Although the Triomf group as a whole is expected to move into profit this year, it is still faced with an onerous repayment schedule on foreign loans raised to finance the phosphoric acid project. Some R13m. is repay*able by August, 1978.*

The plant was originally *financed on a quick repayment* schedule based on a floor price agreement for phosphoric acid from the French Gazocean company. This agreement fell away when Gazocean went into receivership. The dispute between Triomf and Gazocean is the subject of arbitration at the moment.

Sharp plans public offers

SHARP CORPORATION, the electric appliances company, is issuing 28m. shares of capital stocks through public offerings at market price next month, to increase its capital to Y.19.41bn., from the present Y.18.01bn., reports Reuter from Osaka.

The issue prices have yet to be fixed, it said.

The company said it plans a 10 per cent. bonus stock issue to *shareholders by the end of* March next year, to return to them profit accruing from the planned public offerings.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Bearish factors induce profit-taking

BY OUR WALL STREET CORRESPONDENT

NEW YORK, May 2.

PROFIT-TAKERS held the upper hand on Wall Street to-day in very heavy trading. There was a partial recovery around mid-session, helped by a firming of the dollar on Foreign Exchanges in Europe, but stocks began sliding again in the final hour.

The Dow Jones Industrial Average almost recouped an initial reaction of 11 points, before retreating again to 840.18 for a net loss of 4.15. The NYSE All Common Index finished 18 cents down at $54.18, after touching $54.01, while losses outnumbered gains at the close by 824 to 657. Turnover further increased to 41.40m. shares from yesterday's level of 37.02m.

Brokers attributed selling in part to Press reports that, despite Federal Reserve anti-inflation action lately, news on the inflation front continues far from favourable and analysts see little hope that it will show much improvement.

Investors were disappointed by yesterday's news of a marginal decline in the U.S. Composite Index of Leading Economic Indicators for March when a small gain had been anticipated, and were also concerned by yesterday's report of a record U.S. trade deficit for the first 1978 quarter on a balance of payments basis.

Some analysts, however, added that the market performed reasonably well in view of the negative news and the extent of the recent strong rally.

K Mart fell 2⅞ to $24⅞ after announcing yesterday that first-quarter earnings will be "well below" those of the 1977 period.

Technicare, however, gained 2⅝ at $13⅞ — the company commented that there were no corporate developments to account for the activity.

Chrysler picked up ⅛ to $11⅞ on declaring a new financing plan, consisting of issuing $20m. of Preferred and $40m. of Common stock, and also intentions to recommend payment of the normal 25 cents dividend.

Among aircrafts, Boeing rose $1⅞ to $44, Lockheed $1 to $23⅞ and McDonnell Douglas $⅞ to $31⅞, but Computer stocks were lower, IBM losing $1½ to $266, Burroughs $1¼ to $69¾, and Data General $1⅞ to $33.

THE AMERICAN SE Market Value Index, in contrast to the NYSE, managed a fresh advance of 0.48 to 137.70 in another very active trade. Volume 5.02m. shares (5.01m.).

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Brunswick	685,500	15⅞	−⅛
Norton Simon	508,500	20⅛	—
K-Mart	492,200	24⅞	−2⅞
Carrier	471,700	20⅛	+ [illegible]
Technicare	477,600	13⅞	+2⅝
Southern	340,900	16⅞	+ [illegible]
Boeing	309,600	44	+1⅞
Pan Am World Air	299,200	6⅞	+ [illegible]
Westinghouse	297,700	17⅞	+ [illegible]
Sears Roebuck	268,500	24⅞	[illegible]

OTHER MARKETS

CANADA—Shares closed firmer-inclined in active trading yesterday, as Power Corporation's block offer of shares of Investors Group swelled volume to 8,681,492 shares on the Toronto Exchange, the largest volume since November 24, 1964. Monday's total was 3,177,930 shares. About 7.8m. shares of Investors Group were tendered on Canadian exchanges.

The Toronto Composite Index put on 3.9 to 1,088.5, while Oils and Gas recouped 9.3 to 1,375.0, but Golds shed 3.8 to 1,215.1. In Montreal, Banks added 1.80 at 257.87.

TOKYO—Market made some progress yesterday in fairly busy trading, led by Blue Chips and Populars. The Nikkei-Dow Jones Average rose 8.17 to 5,541.10, with volume amounting to 320m. shares (280m.).

Motors and Heavy Electricals were spurred forward by active institutional buying, Toyota Motor advancing Y42 to Y1,000, Nissan Motor Y18 to Y826, Hitachi Y5 to Y236, and Mitsubishi Electric Y6 to Y178.

Buying interest revived in Electricals, Pharmaceuticals, Photo Films and Motor Components following the overnight Wall Street rise.

Foods, extiles and some low-priced shares also improved, but some recently-selected Public Works issues declined on profit taking.

Nippon Television Network rose Y110 to Y6,650, Kaken Chemical Y100 to Y1,050, Toyoda Automatic Loom Works Y45 to Y898, Mitsumi Electric Y41 to Y618, Maruzen Y39 to Y859 and Toyoda Machine Works Y37 to Y905.

PARIS—Share prices tended to harden, although trading was very thin following the long holiday week-end.

Banks, Properties, Foods, Rubbers, Electricals and Hotels were particularly firm, but Chemicals and Construction issues eased against the trend.

Carrefour moved ahead 25 to Frs.1,700, CIT Alcatel 20 to Frs.1,130, Borel 3.2 to Frs.130.0, Michelin "B" 22 to Frs.1,448, Poclain 13 to Frs.195, and Suez 9.9 to Frs.280.0.

GERMANY—Stocks closed on a mixed note following quiet trading ahead of Thursday's Ascension Day market closure.

Banks were mainly higher with Deutsche Bank up DM3.20, while Chemicals also firmed, Degussa leading the way with an advance of DM4.80.

Most Electricals showed little change, although Siemens gained DM1.50. Stores were in dull mood, Karstadt declining DM1.50.

AMSTERDAM — Share prices displayed a firm bias in slow trading.

Hoogovens were noteworthy in Dutch Internationals for a rise of Fls.1.30.

AUSTRALIA — Stocks again made an irregular showing, but with an improved undertone. There were indications late in the session that overseas dealers were beginning to show interest after holding off for two days.

Second-ranking Industrials were firmer-inclined on hopes of an across-the-board reduction in interest rates after the Treasury Department announces the terms of the May loan.

Textiles and Light Engineering issues gained ground, while Breweries attracted sporadic buyer interest.

In Financials, AGC retreated 7 cents to $A1.63 ahead of the interim report.

Banks rallied, with BNS Wales adding 8 cents at $A5.46 and National 4 cents at $A2.58.

Among Uranium Issues, Pancontinental advanced 70 cents more to $A11.90.

HONG KONG—Market turned generally lower on profit-taking, which was concentrated in Blue Chips.

Hong Kong Land shed 10 cents to $HK7.90, Hutchison Whampoa 2.5 cents to $HK4.425, Jardine Matheson 10 cents to $HK13.60, Swire Pacific 5 cents to $HK7.10 and Wheelock 2.5 cents to $HK2.425.

Elsewhere, Hong Kong Telephone rose 25 cents to $HK30.25, but China Light receded 20 cents to $HK21.60 and Stelux 7.5 cents to $HK3.40.

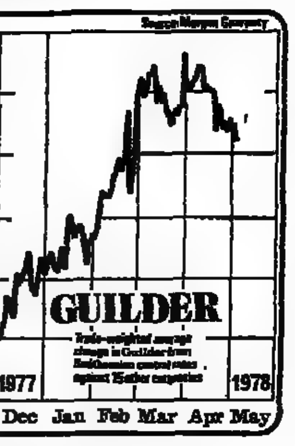
BRUSSELS—Mostly higher in light trading.

Arbed, which said it hopes to make an operating profit in 1978, gained 135 to B.Frs.2,295, while Cockerill advanced 32 to B.Frs.404.

£ and $ firmer

Sterling and the U.S. dollar both showed an improvement in yesterday's foreign exchange market. Trading was on a moderate scale ahead of further public holidays on Thursday throughout the continent. The pound opened at $1.8225-1.8235 and received a little support from the Bank of England, pushing up the rate to $1.8240-1.8250 around noon. However, fresh buying saw sterling up to $1.8300-1.8310 without further official intervention and although coming off the top at the close, sterling still recorded a gain of 20 points at $1.8260-1.8270. Using Bank of England figures, the pound's trade weighted index improved to 61.6 from 61.4, having stood at 61.5 at noon and 61.4 in early dealings.

The U.S. dollar finished at its strongest levels against most major currencies in the wake of higher U.S. interest rates. In terms of the West German mark, it improved to DM2.0815 from DM2.0727½ while gaining over the Swiss franc at Sw.Frs.1.9622½ against Sw.Frs.1.9355. Elsewhere the Japanese yen also lost ground in dollar terms to finish at Y226 over Y224.07½. On a Morgan Guaranty basis, the dollar's trade weighted average depreciation using noon rates narrowed to 5.04 per cent. from 5.11 per cent. on Friday. The Canadian dollar showed further gains to close at 88.70½ U.S. cents against 88.29½. Trading in the London bullion market remained subdued with gold easing $1½ an ounce to $168¾-169½.



GOLD MARKET

	May 2	April 28
Gold Bullion (a fine ounce)		
Close	$168¾-169½	$170¼-17[illegible]
Opening	$168¾-169½	$169½-17[illegible]
Morning fix'g	$169.15 (£92.568)	$170.00 (£92.810)
Aftern'n fix'g	$168.90 (£92.346)	$170.85 (£93.315)
Gold Coin domestically		
Krugerrand	$173½-175½ (£95-96)	$175-177 (£95¾-96¾)
N'w Sov'gns	$52½-54½ (£28¾-29¾)	$52¾-54¾ (29-30)
Old Sov'rgns	$52½-54½ (£28¾-29¾)	$52½-54½ (£28¾-29¾)
Gold Coins (Internat'lly)		
Krugerrand	$173½-175½ (£95-96)	$175-177 (£95¾-96¾)
New Sov'rgns	$52½-54½ (£28¾-29¾)	$52¾-54¾ (£29-30)
Old Sov'rgns	$52½-54½ (£28¾-29¾)	$52¾-54¾ (£28¾-29¾)
$20 Eagles	$272½-275½	$273½-27[illegible]

CURRENCY RATES

	Special Drawing Rights May 2	European Unit of Account May 2
Sterling	0.669576	0.675651
U.S. dollar	1.22298	1.23458
Canadian	1.37891	1.38839
Austria sch	18.2560	18.4275
Belgian franc	39.5206	39.8955
Danish krone	6.92490	6.99424
Deutschem'k	2.53645	2.56036
Dutch guilder	2.71074	2.73633
French franc	5.65325	5.70812
Italian lira	1061.05	1070.61
Japanese yen	276.027	278.260
Norway krone	6.61021	6.65812
Spain peseta	98.9770	99.8635
Swedish krone	5.65078	5.70710
Swiss franc	2.38811	2.40906

FOREIGN EXCHANGES

May 2	Bank Rates %	Day's Spread	Close
New York	6½	1.8220-1.8310	1.8260-1.82[illegible]
Montreal	8½	2.0505-2.0625	2.0580-2.0[illegible]
Amsterdam	4	4.02-4.07	4.05½-4.0[illegible]
Brussels	5½	58.75-59.20	58.85-59.1[illegible]
Copenhagen	9	10.32-10.36	10.34-10.3[illegible]
Frankfurt	3	3.77-3.81	3.80-3.81
Lisbon	13	76.75-77.50	77.00-77.4[illegible]
Madrid	8	147.20-148.20	147.55-148.[illegible]
Milan	11½	1,580-1,587	1,584-1,58[illegible]
Oslo	7	9.84-9.89	9.87-9.8[illegible]
Paris	9½	8.41-8.47	8.44½-8.45[illegible]
Stockholm	7	8.41-8.47	8.44½-8.4[illegible]
Tokyo	3½	408-418	412½-414½
Vienna	5½	27.20-27.40	27.30-27.4[illegible]
Zurich	1	3.54-3.59½	3.58-3.59

‡ Rates given for convertible francs. Financial franc 59.10-59.30. * Rate ... April 28 should be 1.8240-1.8250.

OTHER MARKETS

		Notes	Rates
Argentina	1589-1595	Argentina	1250-1[illegible]
Australia	1.6058-1.6200	Austria	26.5-2[illegible]
Brazil	51-52	Belgium	58-59
Finland	7.7150-7.7350	Brazil	32-37
Greece	67.473-69.150	Canada	2.054-2.[illegible]
Hong Kong	8.46½-8.49½	Denmark	10.31-1[illegible]
Iran	125-131	France	8.40-8.[illegible]
Kuwait	0.505-0.510	Germany	3.75-[illegible]
Luxemb'rg	58.05-59.15	Greece	66-72
Malaysia	4.3625-4.3825	Italy	1545-1[illegible]
N. Zealand	1.7832-1.8114	Japan	4.10-4.[illegible]
Saudi Arab	6.24-6.34	Nether'nds	4.01-4.[illegible]
Singapore	4.26-4.28	Norway	9.85-9.[illegible]
S. Africa	1.5745-1.5897	Portugal	75-7[illegible]
U.S.		Spain	144-1[illegible]
Canada		Switz'land	3.50-3.[illegible]
U.S.		U.S.	1.82-1.[illegible]

Rate given for Argentina is a free rate.

FORWARD RATES

[illegible]

EXCHANGE CROSS-RATES

May 2	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.0800 15	44.86-95	6.42-43	3.795-805	96.56-66	105.85-6.10
New York	48.05 05	—	21.61-64	3.0876-0825	1.8250-8260	44.89 96	50.80 90
Paris	22.74-3.24	4.6165-6295	—	14.295-329	8.4415 4615	208.46-95	236.70-7.20
Brussels	15.56-60	32.35-20	6.97-7.00	—	58.90-59.05	14.56-70	16.54-60
London	3.80-81	1.8260-70	8.44½-46½	59.05-15	—	4.05½-08½	3.58-59
Amst'dam	106.845-295	2.2150-77	47.94-99	6.8586-8645	4.0495-0545	—	113.555-805
Zurich	94.233-351	1.9610-25	42.327-382	5.0561-0665	3.5324-6961	88.194-321	—

U.S. $ in Toronto U.S. $=112.69-91 Canadian cents
Canadian $ in New York=88.56-58 cents. U.S. $ in Milan 867.60-90.
Sterling in Milan 1585.53-1586.45.

EURO-CURRENCY INTEREST RATES*

May 2	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German mark
†Short term	9⅛-10¼	7-8	7⅛-7⅜	[illegible]	[illegible]	[illegible]
7 days notice	9-10	7-8	7⅛-7⅜	[illegible]	[illegible]	[illegible]
Month	10⅛-10½	7½-7⅞	7¼-7⅝	[illegible]	[illegible]	[illegible]
Three months	10¼-10⅝	7¾-8⅛	7¾-8	[illegible]	[illegible]	[illegible]
Six months	10⅜-10¾	8⅛-8¼	7⅞-8⅛	[illegible]	[illegible]	[illegible]
One year	10⅜-10¾	8¼-8⅝	8-8¼	[illegible]	[illegible]	[illegible]

Euro-French deposit rates: two-day 8½-8¾ per cent.; seven-day 8¾-9 per cent.; one-month 9¼-9¾ per cent.; three-month 9 11/16-9 15/16 per cent.; six-month [illegible] per cent.; one year 10½-10¾ per cent.

Long-term Eurodollar deposits: two years 8¼-8½ per cent.; three years 8½-8¾ per cent.; four years 8¾-9 per cent.; five years 8⅞-9⅛ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 7.25-7.35 per cent.; three-month 7.60-7.80 per cent.; six-month [illegible] per cent.; one year 7.95-8.05 per cent.

*Rates are nominal calling rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

Indices

NEW YORK—DOW JONES

	May 2	May 1	Apr. 28	Apr. 27	Apr. 26	Apr. 25	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	840.18	844.33	837.32	828.82	836.97	833.35	844.33 (1/5)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.85	88.95	89.01	89.01	89.12	89.05	90.30 (4/1)	88.85 (2/5)	—	—
Transport.	224.79	225.61	224.58	222.84	224.54	225.88	226.51 (1/5)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	106.55	106.45	106.38	105.99	106.12	106.70	110.98 (3/1)	102.84 (23/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	41,400	37,020	32,850	35,470	44,450	55,800	—	—	—	—

*Basis of index changed from August 24

	April 27	April 21	April 14	Year ago (approx.)
Ind. div. yield %	5.68	5.75	5.85	4.80

STANDARD AND POORS

	May 2	May 1	Apr. 28	Apr. 27	Apr. 26	Apr. 25	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrials	107.43	107.92	106.94	105.71	106.80	108.55	107.92 (1/5)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	97.25	97.67	96.85	95.86	96.82	98.64	97.67 (1/5)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Apr. 19	Apr. 12	Apr. 5	Year ago (approx.)
Ind. div. yield %	5.14	5.36	5.39	4.23
Ind. P/E Ratio	8.94	8.56	8.48	10.41
Long Govt. Bond yield	8.30	8.34	8.32	7.62

N.Y.S.E. ALL COMMON

May 2	May 1	Apr. 28	Apr. 27	1978 High	1978 Low
54.18	54.36	53.88	53.40	54.36 (1/5)	48.37 (6/3)

Rises and Falls

	May 2	May 1	Apr. 28
Issues traded	1,907	1,920	1,919
Rises	657	978	929
Falls	824	532	537
Unchanged	426	410	453
New Highs	138	185	103
New Lows	26	33	36

MONTREAL

	May 2	May 1	Apr. 28	Apr. 27	1978 High	1978 Low
Industrial	177.30	177.82	176.85	177.36	181.47 (17/4)	162.08 (16/2)
Combined	185.30	185.06	184.64	185.32	187.85 (17/4)	170.52 (30/1)
TORONTO Composite	1086.5	1082.6	1081.5	1089.7	1091.4 (17/4)	998.2 (30/1)
JOHANNESBURG Gold	193.4	185.6	195.6	198.0	214.7 (1/2)	166.0 (20/4)
Industrials	218.8	217.5	218.2	216.5	219.8 (2/5)	194.9 (15/3)

	May 2	Previous	1978 High	1978 Low
Australia(*)	480.33	480.36	480.33 (2/5)	441.45 (1/00)
Belgium (‡)	100.21	(u)	100.99 (30/4)	90.21 (12/3)
Denmark (**)	94.65	94.43	98.15 (9/1)	94.00 (6/2)
France (††)	69.8	(u)	69.7 (28/4)	41.5 (3/3)
Germany (‡‡)	789.9	(u)	812.7 (10/2)	766.8 (28/4)
Holland (§§)	76.9	(u)	82.1 (10/2)	76.0 (4/4)
Hong Kong (§)	459.39	461.83	461.83 (1/5)	383.4 (13/1)
Italy (¶¶)	60.38	(u)	65.06 (9/5)	55.45 (10/1)
Japan (a)	412.25	410.18	416.11 (19/4)	364.04 (4/1)
Singapore (b)	305.19	(u)	305.19 (2/5)	262.0 (1/00)
Spain (d)	100.99	(u)	100.99 (2/5)	87.88 (17/3)
Sweden (e)	392.47	(u)	392.47 (2/5)	326.74 (3/1)
Switzerl'd (f)	291.9	(u)	296.56 (14/4)	279.0 (25/4)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). ‡ Excluding bonds. † 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Banca Comm. Ital. 1972. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
yields based on net dividends plus tax.
◆ DM50 denom. unless otherwise stated.
♥ Ptas.500 denom. unless otherwise stated.
♣ Kr.100 denom. unless otherwise stated.
⊕ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross. div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

OVERSEAS SHARE INFORMATION

Inv. $ Prem. $2.60 to £—110% (110%)
Effective rate (1.8265) 47½% (47½%)

NEW YORK

[illegible]

CANADA

[illegible]

GERMANY ◆

May 2	Price Dm.	+ or −	Div. %	Yld. %
AEG	86	−0.4	—	—
Allianz Versich.	463	+11	18	2.0
BMW	228.5		16	3.9
BASF	134.3	+0.2	18.76	7.0
Bayer	135.5	+0.7	16	—
Bayer. Hypo	277.0	−0.6	18	3.2
Bayer.Vereinsbk	289		18	3.1
Ciba-Geigy Ned.wrts	165		—	—
Commerzbank	224.5	+1.0	17	7.6
Cont Gummi	72.8	−0.2	—	—
Daimler Benz	296.0	+0.5	28.12	4.8
Degussa	249.5	+4.8	17	3.4
[illegible]				

AMSTERDAM

[illegible]

COPENHAGEN ♣

[illegible]

VIENNA

[illegible]

TOKYO ¶

May 2	Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass	340		14	2.1
Canon	500	+5	12	1.2
Casio	600	+16	25	2.1
Chinon	363		20	2.8
Dai Nippon Print	565		18	1.6
Fuji Photo	585	+8	15	1.3
Hitachi	236	+5	12	2.5
Honda Motors	602	+16	18	1.5
House Food	1,170		35	1.5
C. Itoh	230	+8	12	2.6
Ito-Yokado	1,300	−10	30	1.2
Jaccs	618	+7	13	1.1
[illegible]				

BRUSSELS/LUXEMBOURG

[illegible]

SWITZERLAND ⊕

[illegible]

MILAN

[illegible]

AUSTRALIA

[illegible]

PARIS

[illegible]

STOCKHOLM

[illegible]

BRAZIL

[illegible]

OSLO

[illegible]

JOHANNESBURG

[illegible]

Securities Rand $US0.73½ (Discount of 35.9 per cent.)

SPAIN ♥

[illegible]

FARMING AND RAW MATERIALS

Surprise cut in U.S. lead price

BY JOHN EDWARDS, COMMODITIES EDITOR

NEWS THAT Asarco, one of the leading U.S. lead producers, had cut its domestic price by 2 cents to 31 cents a lb. came as a surprise to London Metal Exchange dealers returning after the May Day holiday yesterday.

However, although the price cut was quickly followed by Bunker Hill, and was attributed to reduced consumer demand, there was little reaction on the London market. It was pointed out that the reduced price was still above London levels.

Cash lead closed only £2.75 lower at £302.5 a tonne.

Lead was the only base metal to move lower. In contrast cash zinc gained £7.5 to £297 a tonne. It was buoyed up by the increases in the European producer price, announced on Friday, when Broken Hill Associated Smelters decided to follow the earlier lead set by EZ Industries in raising its price from $550 to $600 a tonne.

However, Noranda confused the situation by moving up to only $575 a tonne.

Some dealers felt that the zinc price increases were premature in view of the huge surplus stocks still held by producers. It is thought that more time should be given for the production cuts to reduce stocks to more reasonable levels before any attempt is made to put up prices.

It is thought that Noranda may have decided to make the small rise of $25 to indicate that it considers that prices should be increased but that it was not in collusion with other producers.

Conzinc Rio Tinto of Australia confirmed yesterday that it had reduced production to 75 per cent. of total capacity at its three smelters—two in Australia and the Avonmouth plant in the U.K.

Discussions were taking place with its partner at the Budel smelter in Holland about output being cut to 75 per cent. in the second half of the year.

Tin prices were boosted by a fall in warehouse stocks, which declined by 140 tonnes to a total of 2,520 tonnes. The stability of Penang prices over the weekend attracted mainly speculative buying interest and some covering of previous scales. As a result cash tin gained £72.5 to £6,182.5 a tonne.

A fall of 2,600 tonnes in copper stocks, reducing total holdings to 550,300 tonnes, was in line with market forecasts. However, values were boosted in the afternoon by the New York market opening unexpectedly higher.

Lead stocks fell by 375 to 61,900 tonnes, while zinc stocks rose by 375 to 61,875 tonnes.

Tea prices down again

BY OUR COMMODITIES STAFF

TEA PRICES eased again at the London auctions held yesterday a day later than usual because of the May Day holiday.

Average quality tea dropped by 1p to 127p a kilo; medium fell to 113p and plain to 82p.

Demand was fair, but it was reported to be selective, with a number of withdrawals of offerings when prices failed to reach expectations.

Buying interest is still affected by the cut in retail sales that followed the recent Price Commission report demanding a reduction in prices.

Our New Delhi correspondnet writes: India plans to raise annual tea production from its present 560m. kilos to 1,300m. by the end of the century, Mr. Mohan Dharia, Commerce Minister, told Parliament.

He said that every year 5,000 acres of additional land is being brought under tea cultivation.

This year India expected to produce 600m. kilos, compared with 560m. last year.

The Minister said that India exported 219.6m. kilos of tea worth Rs.5.56bn. in the fiscal year ended March 31, 1978. This compared with 242.6m. kilos worth Rs.2.95bn. in 1976-77.

BRAZIL WILL BUY NIGERIAN RUBBER

By Our Own Correspondent

LAGOS, May 2.

BRAZIL is to buy annually from Nigeria about 10,000 tonnes of natural rubber under an agreement signed here between Cotia Commercio and the local rubber Board.

Brazil is the latest market secured by the rubber Board under a sales promotion drive that has won exports to Britain, Czechoslovakia, Yugoslavia, West Germany, Italy and Belgium.

"We are currently exploring Bulgarian, Rumanian, Scandinavian and Korean markets," said Mr. J. Umoren, chairman of the rubber Board.

Wool sales buyers protest

SYDNEY, May 2.

BUYERS OF Australian wool have agreed with reluctance, and under protest, that the auctions this week should have the normal payment conditions, John Westmore, director of the Australian Wool Buyers' Council, said here.

Buyers had wanted an extension of the payment conditions in view of the delays to wool shipments caused by industrial action in Australian docks over the past month, he said. The delays meant buyers had to hold wool they had paid for but could not ship.

The joint wool selling organisation will review the situation on Friday.

In Canberra, the Bureau of Agricultural Economics slightly raised its fourth forecast of Australian wool exports in the 1977-78 season ending June 30, to 675m. kilos greasy equivalent from 658m. forecast in December. Exports in 1976-77 were 831.6m. kilos.

The bureau also raised its forecast of live sheep exports in 1977-78 to 3.85m. head compared with the December estimate of 3.25m. and 1976-77 shipments of 3.35m.

Reuter

Windward Is. sent Britain fewer bananas

By Our Own Correspondent

PORT OF SPAIN, May 2.

BANANA EXPORTS to Britain from the four Windward Islands—St. Lucia, St. Vincent, Dominica, Grenada—fell by more than 9,000 tons last year, according to the Windward Islands Banana Association (WINBAN).

Total exports were 111,337 tons, compared with 120,594 tons in 1976.

According to WINBAN, the major reason for the decline was unfavourable weather. Present indications, however, are that exports to Britain this year may total as much as 141,119 tons.

St. Lucia and Dominica are expected to be the main suppliers among the group this year.

THAILAND HALTS RICE EXPORTS

BANGKOK, May 2.

A temporary ban on rice exports, pending the outcome of a survey of stocks was announced by Thailand yesterday, reports Reuter.

The Commerce Minister, Nam Poonvathy, said that he had instructed officials to conduct a survey of stocks and estimate the extent of the secondary crop which is being harvested.

'Hands off animal exports' plea as protests revive

BY CHRISTOPHER PARKES

BRITISH FARMERS and exporters should be given a clear assurance allowing them to carry on "unmolested" with exports of live food animals, Sir Henry Plumb, president of the National Farmers' Union said yesterday.

Disturbed by the renewed clamour for a Government ban on the trade and the unofficial "blacking" of livestock cargoes in the docks, Sir Henry claimed that three big Government inquiries had shown that livestock exports caused no economic damage in the U.K. nor unnecessary suffering for the animals.

"It is high time for Parliament to give us a firm, clear assurance that the trade may continue, subject to welfare safeguards, so that we can get on with the job unmolested," Sir Henry said at the opening of the livestock market at Ashford, Kent.

Sir Henry said that farmers were deeply concerned about the welfare of their animals and he believed exporters were equally concerned.

"It is of no advantage to us to supply animals in anything other than tip-top condition. The weight of advantage to the U.K. — not just to farmers themselves — lies in continuing the trade.

"Legally, it could be very difficult to ban it under EEC law."

Dockers at registered ports have begun refusing to handle livestock for export. Yesterday a delegation from the Animal Welfare Co-ordinating Executive, led by Mr. Robin Corbett, Labour MP for Hemel Hempstead, went to the Ministry of Agriculture to ask for exports to be suspended so that the debate could continue in a "neutral" atmosphere.

Mr. John Silkin, the Minister, turned down this appeal but promised that he would be making a statement in the House of Commons "reasonably soon."

"I hope we shall have a debate and a vote on it—and this would have to be a free vote." Mr. Corbett said.

"If we get a free vote we have every chance of getting this trade banned."

He felt that the most recent report, prepared by Ministry officials, which concluded that the trade should be allowed to continue, should not be considered binding on Mr. Silkin.

Mr. Corbett, who is also chairman of the Parliamentary Labour Party Food and Agriculture Committee, addressed a recent meeting of dockyard shop stewards which undertook to embargo shipments of animals for slaughter or further fattening abroad.

Meat industry and tannery workers have complained that their jobs have been put at risk by the exports and this claim, merged with the "cruelty" lobby, has attracted considerable sympathy.

The Transport and General Workers' Union, however, had no news yesterday of the extent to which the unofficial call to "black" stock exports had been taken up.

Soviet threat to meat trade

BY OUR COMMODITIES STAFF

SOVIET RELUCTANCE to buy meat from its usual world market suppliers threatens to spark off a round of price-cutting, as leading beef producers scour the world for other outlets.

After reports from Moscow that the Soviet Union was holding back from buying, despite shortages of meat in its shops, traders in Buenos Aires said that Argentina would have to become increasingly competitive with other exporting countries in the search for alternative outlets.

Last week Reuter reported diplomatic sources in Moscow as saying that Australia and New Zealand, which between them sold more than 130,000 tonnes of beef to Russia last year, had not received a single Soviet order this year.

The Soviet Union's reluctance to buy has been attributed to efforts to save foreign currency for spending on priority projects and moves to reduce the foreign trade deficit.

Last year the Soviet Union was Argentina's third most important beef market, after West Germany and the U.S., buying 32,100 tonnes of meat. In 1976, the Russians bought only 11,000 tonnes.

Argentina sold 501,700 tonnes of meat abroad last year and the Government aims to increase this to 700,000 tonnes this season by developing new outlets in the Middle East and Africa.

● The French Ministry of Agriculture has forecast a modest recovery in beef production this year. Lamb and pork output are also expected to rise although home-produced veal supplies will fall again.

Beef farmers should raise output 1 per cent. to 1.385m. tonnes. Production in 1977 was almost 11 per cent. lower than in 1976 so that traders spent heavily on imports and dug deeply into the reserves of meat held in the EEC's intervention stores to maintain export trade and home supplies.

This year France is expected to be 106 per cent. self-sufficient in beef. However, it will still have to import about 16 per cent. of its pork and 27 per cent. of its lamb.

Average consumption of all meats this year is expected to climb marginally by 1.4 per cent.

Wheat pact talks

BY OUR COMMODITIES STAFF

NEW EFFORTS to prepare the ground for an international wheat agreement have started in Geneva this week.

A special 12-nation interim committee was set up in March after a six-week negotiating conference failed to agree the terms of a new pact.

The committee's task is to see whether a new draft can be worked out and finalised by July for another negotiating conference, tentatively planned for September. It will meet again in London later this month.

Some progress in reconciling differences is believed to have been made at the recent private talks between the U.S. and EEC in Washington, but there is no definite sign yet that the main disputes over the price range, size of reserve stocks and the inclusion of course grains have been resolved.

China may step up grain imports

WASHINGTON, May 2.

CHINA MAY increase its imports of grains and cotton, the U.S. Agriculture Department forecast here.

Its weekly Foreign Agriculture magazine said that imports of soyabeans and sugar could drop, however, since these crops were faring better than the drought-plagued ones of last season.

The report said that China might import up to 7m. tonnes of wheat for delivery in 1978-79, including the 1m. tonnes already bought from the U.S.

China purchased 9m. tonnes of grain for delivery between July, 1977 and June, 1978.

China's increasing demand for cotton could cause imports to reach 1.3m. bales in 1977-78, of which the U.S. had already supplied 342,000 bales, Foreign Agriculture said.

The Chinese imported unusually large quantities of sugar in 1977—1.6m. tonnes, compared with the 1961 record of 1.53m. tonnes. The shortfall of the 1976 harvest was not enough to account for this level so China might be buying sugar to sell later at a profit, the department added.

In Ottawa, Canadian officials said that they would visit China later this month to discuss future grain sales.

The last sale of Canadian grain to China for shipment in July, 1978, was for 3m. tonnes.

Reuter

Satellite crop forecasting disappoints

THE U.S. Government is scaling down its ambitions to forecast foreign wheat production by using satellites, AP-Dow Jones reports from Washington.

The General Accounting Office, an investigatory arm of Congress, gave a lukewarm verdict recently on the outcome of a three-year exercise on wheat forecasting that used a National Aeronautics and Space Administration satellite. The results appeared to be nearly on-target in estimating the 1975-76 Soviet harvest, but their accuracy was actually the result of "offsetting errors," with the projected wheat acreage turning out 12 per cent. too high and the per-acre yields 15 per cent. too low.

The satellite had problems spying out wheat acreage from its 570-mile-high orbit. A field of spring wheat, for example, looked to the satellite like other vegetation, especially barley, in the same stage of growth.

The U.S. Agriculture Department had originally hoped to start an operational, satellite-based, world wheat forecasting system at the end of the experiment.

Instead, a less ambitious programme of continued earth-sensing research will be used. Top priority will go to using satellite pictures for an early warning of drought and other abrupt changes in crop conditions.

Tree 'mortgage' proposed to encourage farmers

FINANCIAL TIMES REPORTER

BRITAIN'S newest Countryside Commissioner, Mr. John Dunning, of Orton in Cumbria, is promoting a revolutionary way of making tree-planting profitable for farmers.

Mr. Dunning, former chairman of the uplands management committee of the Lake District Special Planning Board, says the Government should operate a mortgage system for trees, so that, in addition to a Forestry Commission planting grant, the farmer can get an annual loan payment to be drawn against the value of the final crop.

The upper limit of these payments could be reviewed from time to time to take account of inflation.

The problem with trees on farmland has been that there is not much commercial incentive for farmers to plant trees when they get no return for 30 years.

"There are now the strongest possible reasons why a concerted effort should be made to correct this position, especially in the Uplands," said Mr. Dunning, himself a farmer. "Any move towards solving the deep-rooted social, economic and environmental problems of the uplands must recognise the key role of the land-based economy on which the other interests so largely depend.

"In any future initiative by the Ministry of Agriculture towards this end, the integrated role of forestry must form a vital component."

Mr. Dunning has been getting a good response from both farming and forestry bodies for his proposal. Mr. Michael Scott, North Lakes District Officer of the Forestry Commission, said: "This would appear to have a lot of merit."

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Higher on the London Metal Exchange. Forward metal opened firmer but the lack of any follow through the price down to £703.5 where buying cause it to rally to £707.5 in the morning kerb. In the afternoon, however, a higher than expected opening Comex saw the price move ahead and at £714 on the late kerb. Values strengthened further in the late inter-office business with forward material touching £718 before easing fractionally. Turnover 20,150 tonnes.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Wirebars				
Cash	689-.5	+5	691-2	+7.25
3 months	705.5-7	+5.5	709-.5	+6
Settlem't	689.5	+5	—	......
Cathodes				
Cash	679-80	+6	681-2	+7
3 months	697-.5	+5.5	699-700	+7.75
Settlem't	680	+5	—	......
U.S. Smt.	—	......	64	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £689.5, three months £706, 05.5, 06. Cathodes: Three months £697. Kerb: Wirebars, three months £707, 07.5. Afternoon: Wirebars, three months £709, 9.5, 8.5, 9. Kerb: Wirebars, three months £709.5, 10, 10.5, 12, 13, 14, 13.

TIN—Gained ground. Forward metal opened a shade easier at £6,030 reflecting the marginal fall in the Penang market over the week-end. However, chartist and speculative buying and the absence of trade selling enabled the price to rally to £6,145 on the late kerb with protective borrowing of nearby dates causing a widening of the backwardation to £45. Turnover 1,480 tonnes.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	6132-40	+25	6180-5	+72.5
3 months	6100-10	+25	6135-45	+65
Settlem't	6140	+25	—	......
Standard				
Cash	6132-40	+28	6180-5	+72.5
3 months	610-.5	+25	6135-40	+60
Settlem't	6140	+25	—	......
Straits E.	$1550	−1	—	......
New York	—	......	—	......

Morning: Standard, cash £6,125, 35, three months £6,070, 75, 80, 90, 95, £6,100. Kerb: Standard, three months £6,110, 20, 30, 25. Afternoon: Standard, three months £6,135, 35, 40. Kerb: Standard, three months £6,135, 40, 45.

LEAD—Lost ground despite the gains in other base-metals and following the 2 cents cut in the producers price by Asarco. Forward metal opened lower and thereafter moved within narrow limits to close at £311 on the late kerb. Turnover 3,725 tonnes.

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	300.75-1.25	−4.25	302-3	−2.75
3 months	310-.5	−3.25	310.5-11	−2.75
Settlem't	301.25	−4.25	—	......
U.S. Spot	—	......	35	......

Morning: Cash £301, three months £309, 10, 10.5, 10, 09.5, 09.75, 10. Kerb: Three months £310.5, 10.25, 10, 10.5. Afternoon: Three months £310.5, 11. Kerb: Three months £311.

ZINC—Firmer reflecting the producer price rise announced late on Friday by Noranda. Forward metal in the morning Ring at £302.5 and moved ahead to close at the day's highest level of £306.5 on the late kerb. Turnover 5,800 tonnes.

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£		£	
Cash	294.5-6	+6.25	296.5-7.5	+7.5
3 months	304.5-5	+7.25	306-.5	+6.75
S'ment	296	+6	—	......
Prim. West	—	......	29	......

Morning: Cash £296, three months £302.5, 03, 04, 04.5. Kerb: Three months £305. Afternoon: Three months £305, 6, 6.5. Kerb: Three months £306, 6, 5.5, 6, 6.5.

* Cents per pound. † On previous official close. ‡ $M per picul.

SILVER

Silver was fixed 0.95p an ounce lower for spot delivery in the London bullion market yesterday at 272.35p. U.S. cent equivalents of the fixing levels were: Spot 497.7c, down 2.1c; three-month 504.6c, down 1.8c; six-month 513.7c, down 2.8c; and 12-month 535.5c, down 2.3c. The metal opened at 272-273p (496½-498c) and closed at 273½-274½p (499½-501c).

SILVER per troy oz.	Bullion fixing pricing	+ or −	L.M.E. close	+ or −
Spot	272.35p	−0.95	273.9p	−0.35
3 months	277.95p	−0.65	279.35p	+0.1
6 months	284.85p	−0.65	—	......
12 months	300.10p	−0.70	—	......

LME—Turnover 146 (68) lots of 10,000 ounces. Morning: Three months 277.8, 8, 8.3, 8.2. Kerbs: Three months 278.3, 8.4. Afternoon: Three months 279. Kerbs: Three months 279.4, 9.5, 9.6, 9.5, 9.4.

COCOA

In thin conditions, light off-take from the Continent steadied values in the absence of first-hand sellers, Gill and Duffus reported.

COCOA	Yesterday's Close	+ or −	Business Done
No.6 U'ntr'ct			
May	2051.0-65.0	+17.75	2084.0-2020
July	1975.0-77.0	+22.25	1989.0-1950
Sept.	1893.0-94.0	+25.00	1894.0-1856
Dec.	1819.0-20.0	+19.00	1820.0-1780
March	1767.0-72.0	+11.50	1775.0-1750
May	1725.0-37.0	+6.00	—
July	1688.0-17.8	+10.00	1705.0

Sales: 2,087 (4,945) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound)—Daily price May 1: 158.26 (151.12). Indicator prices May 2: 15-day average 155.26 (155.84); 22-day average 156.96 (157.74).

COFFEE

Robustas were quietly firm, but with the market in a narrow range, trading conditions were lethargic, Drexel Burnham reported. Light trade selling at the close eroded values somewhat and final levels were £10 to £15 higher on the day.

COFFEE	Yesterday's Close	+ or −	Business Done
	£ per tonne		
May	1529-1532	+21.5	1538-1518
July	1405-1405	+15.0	1413-1398
September	1320-1322	+10.0	1332-1318
November	1223-1275	+15.0	1284-1270
January	1240-1245	+12.5	1250-1240
March	1215-1220	+5.0	1225.0
May	1206-1210	−4.5	1216-1210

Sales: 1,394 (2,684) lots of 5 tonnes.

ICO Indicator prices for May 1: (U.S. cents per pound): Colombian Mild Arabicas 194.00 (same); unwashed Arabicas 163.00 (same); other mild Arabicas 173.02 (same); Robustas 139.00 (same). Daily average 156.01 (same).

ARABICAS—There was no trading until late in the afternoon and the market closed marginally steadier in featureless conditions Drexel Burnham Lambert, reported.

GRAINS

RUBBER

MEAT/VEGETABLES

SUGAR

WOOL FUTURES

LONDON—Dull and featureless, Bache reported.

(Pence per kilo)

Australian Greasy Wool	Yesterday's Close	+ or −	Business Done
May	226.0-28.0	......	227.5
July	232.0-35.0	......	—
October	236.0-38.0	......	—
December	240.0-41.0	−0.50	—
March	245.0-48.0	......	—
May	245.0-48.0	......	—
July	246.0-48.0	......	—
October	247.0-50.0	......	—

Sales: 5 (nil) lots of 1,500 kilos.

SYDNEY GREASY (in order buyer, seller, business, sales)—Micron Contract: May 339.0, 339.5, 340-339.1, 27; July 343.5, 344.0, 344.5-344.5, 2; Oct. 347.5, 348.0, 349.0-348.9, 5; Dec. 354.5, 354.8, 355.5-354.5, 20; March 362.2, 362.5, 363.0-362.1, 8; May 367.0, 367.5, untraded; July 369.5-370.0, untraded; Oct. 371.5, 372.0, untraded. Total sales: 63 lots.

SOYABEAN MEAL

VEGETABLE OILS

Jordan earns less from phosphates

By Our Own Correspondent

AMMAN, May 2.

JORDAN'S REVENUES from its main export commodity, raw phosphate rock, dropped slightly last year while total production and export figures continued to rise slightly for the second year in succession.

Official figures released here by the state-owned Jordan Phosphate Mines Company show total revenues of $59m. last year on exports of 1.79m. tons compared with 1976 revenues of $64m. on exports of 1.65m. tons.

Last year's production totalled 1.77m. tons, compared with the previous year's production of 1.70m. tons.

The sluggish 1977 export and revenue figures are below targets in the current five-year plan, which now anticipates an annual production of 6m. tons of raw phosphate rock by 1980, a slight scaling down from the original target of 7m. tons.

But informed sources here say that technical factors related to expansion work have held down this year's output and exports, and company officials are already certain of exports for this year totalling at least 2.5m. tons.

PRICE CHANGES

Prices per tonne unless otherwise stated.

U.S. Markets

Copper falls —precious metals gain

COTTON

JUTE

STOCK EXCHANGE REPORT

Equities rise late after uninspiring official trade
Share index 3.9 up at 469.6 but Gilt-edged unimpressive

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Apr. 17	Apr. 27	Apr. 28	May 10
May 2	May 11	May 12	May 23
May 15	May 25	May 26	Jun. 7

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Lethargic for most of the day, leading equities turned distinctly better in the late trade. Reasons for the upturn were difficult to pin-point, but the market's earlier resilience in the face of gloomy predictions on the economy had caused speculative comment about the build-up of potential investment funds.

Down 2.3 at 463.4 at the 11 a.m. calculation, the F.T. Industrial share index improved only gradually during the official trade but ended with a rise of 3.9 to 469.6. A good deal of the late movement reflected dealers' unwillingness to part with stock, unless at enhanced levels, in the prevailing thin trading conditions.

Second-line and situation stocks often generated pockets of resistance in the early trading and Furness Withy featured late following renewed talk that European Ferries, which made an abortive bid some while ago, was showing interest again, although this was officially denied later. Rises in F.T.-quoted Industrials led falls by five-to-two, while official markings, at 5,050, were below last Friday's figure of 5,406 but well above the 4,482 recorded on the first day of the previous Account.

Of the 48 groups and sub-sections of the F.T.-Actuaries Indices only 10 recorded losses while Banks and Packaging and Paper registered above-average improvements, the latter helped by the view that export prospects would remain sound.

Gilts uncertain

Still concerned by the possibility of higher short-term interest rates, British Funds drifted lower in light trading before the longer-dated maturities derived encouragement from the trend in sterling and reverted to Friday's list levels. The shorts, however, made little recovery and displayed losses extending to ¼: increased U.S. interest rates were also a factor in the latter market. Both sectors were a shade easier after the official close following comment in foreign exchange markets that Minimum Lending Rate would have to be raised shortly in order to avoid a much larger increase later on.

Corporations were unsettled, recording falls ranging to ½, while Southern Rhodesian bonds moved in similar vein, the 2½ per cent. 1965-70 stock closing four points down at £55.

Traded optinos had a quiet day but the number of contracts done, at 434, was only slightly below the daily average of 447 recorded in the first full week of trading.

A large proportion of yesterday's business was accounted for by a big deal in the ICI 360 series. Markes and Spencer positions were quiet ahead of to-day's results. The price of the underlying equity shares pointed to the probability of a fourth series being created in Courtaulds.

Although business developed on a two-way basis, the investment currency market lacked inspiration and started post-holiday trade as it left off last week with the premium moving within a narrow range. After dipping to £109¾ per cent. and rallying to 110½ per cent., the closing level reverted to last Friday's close of 110 per cent. Yesterday's conversion factor was 0.6765 (0.6766).

Banks improve late

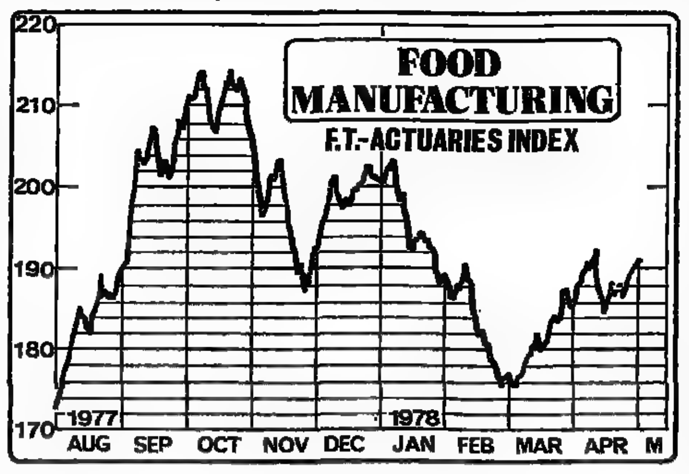
The major clearing Banks moved higher in the late dealings. Midland closed 9 to the good at 365p xd and Lloyds were 7 better at 275p, while Barclays ended 5 dearer at 345p and NatWest 4 up at 288p. Ahead of to-morrow's preliminary results, National and Commercial edged forward a peny to 75p. Union softened 5 to 300p among Discunts. Insurances finished with modest losses after a thin trade.

John Laing "A" advanced 10 to 149p following results above market expectations and the accompanying statement regarding the proposed hive-off of the major part of the company's property interests into a newly-formed and independent listed company. Elsewhere in Buildings, the improved terms agreed with Hepworth Ceramic prompted an immediate rise to 132p in Johnson-Richard Tiles which closed 7 up on balance at 128p. Hepworth Ceramic eased 3½ to 73p. Pochins continued to reflect the good first-half profits increase and jumped 14 more to 110p, while Carron put on 7 to 54p following demand in a thin market. Renewed speculative interest had Brown and Jackson, 83p, and Phoenix Timber, 158p, both around 3 better, while Heywood Williams, 107p, responded to Press comment following the U.S. acquisition from Hanson Trust. A Press mention also influenced Royco which firmed 2 to 39½p. Among the leaders, AP Cement improved 4 to 241p and Richard Costain 6 to 272p. Ready Mixed Concrete, 124p, held a rise of a couple of pence despite the chairman's pessimistic view of U.K. prospects.

ICI, after trading quietly, firmed 8 to 348p in the after-hours' dealings. Anchor Chemical continued to reflect satisfaction with the annual results and put on 6 to 70p xd while Allied Colloids advanced 3 more to 77½p on further small buying.

Brit. Home dip and rally

Leading Stores picked up smartly after-hours to close at the day's best. Initially down to 178p in reaction to the disappointing annual results, British Home rallied to finish unaltered at 184p. In front of to-day's preliminary figures, Marks and Spencer gained 3 to 149p, while Mothercare, results due tomorrow, were unchanged at 156p, after 154p. Gussies A, 290p, and House of Fraser, 149p xd, put on 2 and 4 respectively. Elsewhere, Vernon Fashion stood out with a rise of 8 to 98p in response to the doubled annual earnings and proposed 100 per cent. scrip issue and Grattan, at 117p, recorded a Press-inspired improvement of 3. Allied Retailers moved up 4 to 234p in a thin market while, reflecting the return to profitability and Press comment, Maple hardened a penny to 18p. An investment recommendation attracted buyers to Hiltons Footwear and the shares jumped 11 to 87p in a thin market. Elsewhere in Shoes, George Oliver A gained 6 to 46p.



EMI remained an unsettled market following recent talk of a broker's bearish circular in the pipeline, but after easing afresh to 142p the price picked up to close unaltered on balance at 145p. Among the other Electrical leaders, GEC closed 3 better at 248p. Elsewhere, fresh support was forthcoming for Racal, 6 to the good at 230p, while Fidelity Radio also attracted buyers at 85p, up 4, along with Chloride, 2 dearer at 105p.

Engineering leaders barely stirred until the late dealings when a slightly firmer trend developed. GKN ended 5 dearer at 279p and rises of 3 were marked against J. Brown, 321p, and Vickers, 179p. Scattered buying interest was evident in second-line issues. Week-end Press mention left Matthew Hall 4 better at 207p and WGI a similar amount higher at 104p, while Weeks Associated, 36p, and Manganese Bronze, 82p, both put on 3 for a similar reason. Occasional support prompted rises of around 4 in British Steam Specialties, 83p, Mining Supplies, 78p, and Adwest, 244p. Haden Carrier held steady at 99p awaiting to-day's preliminary results.

Fading bid hopes prompted further selling of J. Bibby which reacted afresh to 233p before settling at 234p for a loss of 6 on the day. Elsewhere in Foods, Robertson picked up 3 to 134p, while in front of to-day's preliminary results, J. Sainsbury firmed 2 to 172p. Rises of 2 were also recorded in Morgan Edwards, 37p, and Kwik Save, 78p. Among Hotels and Caterers, Prince of Wales responded to the annual results with a rise of 10 at 150p.

Quietly dull for most of the day, miscellaneous Industrial leaders took a distinct turn for the better after the official, 3.30 p.m., close and ended with double-figure gains in places. With the help of week-end Press comment, Glaxo rose 15½ to 551p xd, while Beecham, a subject of adverse comment, ended 10 dearer at 630p. Unilever added 8 at 514p and Reed International 6 at 124p; the latter's partner in the Stanger pulp and paper mill in South Africa has pulled out of the joint venture and has agreed to pay Reed more than £10m. compensation. Boots put on 4 to 211p as did Turner and Newall, to 173p, while Metal Box ended a like amount dearer at 306p following news of the company's planned acquisition of a 75 per cent. stake in a Californian beverage can manufacturing company. Elsewhere, Marshall's Universal rose 10 to 166p on buying in anticipation of to-day's annual results and Wilson Walton gained 5 to 70p with the help of an investment recommendation. Readfearn National Glass moved up 5 more to 335p on fresh speculative buying ahead of the forthcoming Monopolies Commission's report on whether or not the outstanding bids from Rockware and United Glass can go ahead. A. Arenson put on 5 to 50p following the sharply higher first-half earnings. Renewed speculative buying on bid hopes left Vinten up 5 at 106p, while Barco Dean saw support at 70p, up 6. By way of contrast, Hawton shed 1¾ to 12¼p on disappointment with company's failure to pay a dividend.

A fair amount of interest was shown in the Motor sections. Among Garages and Distributors, T. C. Harrison found support at 119p, while Wadham Stringer responded to the annual results with a rise of 2½ to 42½p. Still reflecting the cheerful tenor of the chairman's annual statement, Lex Service firmed 2 more to 83½p. In contrast, scattered offerings left Glanfield Lawrence 2 cheaper at 31p and Western Motor a similar amount down at 90p. In Components, Supra Group were noteworthy for a gain of 4½ to 53pxd, while Turner Manufacturing, up 4 at 109p, reflected occasional buying interest.

Newspapers and kindred trades closed firmer for choice. North Sea oil favourite Thomson gained 5 to 230p, while similar improvements were seen in Mills and Allen, 185p, and McCorquodale, 247p. British Printing edged forward 2 to 53p following the chairman's annual review.

Properties passed another quiet session in which a slightly firmer tone developed. Amongest secondary issues, Darcs Estates firmed 2½ to 18p ahead of preliminary results due Thursday and McInerney rose 6 to 45p in a thin trade. Marier Estates improved 2 more to 30p on the offer from Blade Investments of 25p per share, but Peachey eased slightly to 79p in front of to-morrow's trading statement. Haslemere, 220p, and Hammerson, 535p, both added a couple of pence, but Apex shed 4 to 200p.

Siebens firm again

Siebens U.K. continued to respond to recent Press comment and firmed 14 more to 324p. British Petroleum passed a quieter session than of late and eased 6 to 794p, but Shell remained a firm market and closed 8 up at 560p. Lasmo improved in late dealings to finish 8 higher at 188p and favourable Press comment left Ultramar 4 better at 262p. In contrast, KCA International eased 1½ to 29p on further consideration of the bid approach from Mr. Travis Ward.

Among Overseas Traders, Boustead were a late bright spot a t 39p, up 4 in response to the annual results.

Revival of an old rumour that European Ferries is about to launch another bid for Furness Withy sparked off a speculative flurry in the latter which rose sharply to touch 280p before easing on the denials from both parties to close 10 higher on the day at 268p. Associated concern Fashion and General gained 10 to 130p in sympathy but E.F. relinquished 4 to 116p. This apart, Shippings were featureless with P and O Deferred a penny dearer at 100p in front of to-day's preliminary results.

Financial Trusts closed firmer in places. Dawnay Day hardened 2 to 36½p and Akroyd and Smithers were 3 to the good at 225p the latter's half-yearly results are due next Wednesday.

Textiles enjoyed a fairly lively session. Speculative demand pushed SEET up 6 to 5p and Sirdar 5 to 71p, while favourable Press mention stimulated demand for Carpets International, 4½ to the good at 49p, and Dawson International "A," 2 dearer at 113p. Scott and Robertson closed 4½ dearer at 41p following the results and the announcement that the company had rejected an offer of 40p per share from Fairbairn Lawson. Stroud Riley were favoured at 32p, up 3, along with Tricoville, which firmed a similar amount to 65p.

South African Industrials to make headway included Greatermans "A," 8 higher at 138p, and O.K. Bazaars, 10 to the good at 340p.

Guthrie rose 6 to 270p among Rubbers where Sungei Krian closed 3 better at 61p ex the scrip issue and capital reorganisation.

Northgate group up

Interest in mining markets was generally minimal with the notable exception of the Irish/Canadian section where the Northgate group of companies continued to attract speculative interest. Northgate themselves rose 20 to 370p, Anglo United Development 10 to 134p and Westfield Minerals 7 to 87p, all reflecting Anglo United uranium exploration hopes in County Donegal.

Tara Exploration, also associated with the Northgate group, climbed £1¾ to a 1978 high of £11. Barymin put on 3 to 57p following Press mention.

The recent firmness of South African Golds was reversed owing to the downturn in the bullion price, which was finally $1.50 lower at $169.125 per ounce.

Prices were marked down at the outset of trading and thereafter drifted on lack of interest to close at the day's lowest levels. The Gold Mines index gave up 3.3 to 144.4.

Among the heavyweights Western Holdings dropped ¾ to £17 ex-dividend, while Randfontein fell ½ to £34. In the lower-priced issues Libanon were 15 off at 452p, while the marginal Loraine closed 9½ down at 84p.

Platinums again reflected modest Cape buying with Rustenburg 2 firmer at 76p and Lydenburg a penny harder at 59p. In Financials, buying from the same source lifted Anglo-Vaal 20 more to equal their 1978 high of 700p.

De Beers were quietly firm throughout the day and closed 4 better at 340p. London-registered Financials, however, were featureless.

Pancontinental were prominent in an otherwise mixed Australians section; a sharp rise in overnight Sydney and Melbourne markets was followed by persistent London buying which left the shares a point higher at a 1978 high of £11½. Ocean Resources hardened 2 to 21p in response to speculative support.

On the other hand, profit-taking left Hampton Areas 5 cheaper at 128p. Base-metal producers lost ground with Bougainville 2 easier at 103p. North Broken Hill the same amount down at 108p and MIM Holdings 3 lower at 181p.

Elsewhere, a further speculative demand saw Burma Mines gain [illegible] more at a high of 15p.

FINANCIAL TIMES STOCK INDICES

—	May 2	Apr. 28	Apr. 27	Apr. 26	Apr. 25	Apr. 24	A year ago
Government Secs.	71.27	71.28	71.22	71.24	71.47	71.88	69.46
Fixed Interest	73.81	74.57	74.33	74.47	74.79	75.06	69.66
Industrial Ordinary	469.6	465.7	467.8	457.8	460.7	460.4	428.0
Gold Mines	144.4	147.7	145.2	141.4	135.3	136.2	118.5
Ord. Div. Yield	5.73	5.77	5.75	5.87	5.85	5.86	5.37
Earnings Y'ld%(full)(*)	17.25	17.39	17.10	17.46	17.29	17.34	16.45
P/E Ratio (net)(*)	7.76	7.69	7.80	7.70	7.78	7.76	8.05
Dealings marked	5,050	5,406	4,727	5,110	4,944	4,382	6,483
Equity turnover £m.	—	87.80	82.58	66.70	70.50	54.13	58.15
Equity bargains total	—	16,941	16,415	14,098	13,757	12,632	16,319

10 a.m. 464.0. 11 a.m. 463.4. Noon 464.1. 1 p.m. 464.3. 2 p.m. 464.3. 3 p.m. 464.4.

* Based on 52 per cent. corporation tax; Nil=7.62.

Latest Index 01-246 8026.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	71.22 (27/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	73.81 (2/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (2/3)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

—	May 2	Apr. 28
Daily		
Gilt-Edged	159.3	168.9
Industries	179.8	198.0
Speculative	46.0	33.9
Totals	114.9	123.0
5-day Average		
Gilt-Edged	160.5	164.2
Industries	176.0	189.1
Speculative	39.6	36.9
Totals	114.9	111.8

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (168)

LOANS (1)
AMERICANS (23)
CANADIANS (2)
BANKS (4)
BEERS (3)
BUILDINGS (6)
CHEMICALS (3)
DRAPERY & STORES (9)
ELECTRICALS (7)
ENGINEERING (18)
FOODS (2)
HOTELS (3)
INDUSTRIALS (30)
INSURANCE (1)
MOTORS (6)
NEWSPAPERS (1)
PAPER & PRINTING (3)
PROPERTY (3)
SHOES (1)
SOUTH AFRICANS (2)
TEXTILES (6)
TRUSTS (15)
OILS (6)
OVERSEAS TRADERS (4)
RUBBERS (5)
TEAS (3)
MINES (4)

NEW LOWS (12)

ENGINEERING (1)
Bronx Eng.
FOODS (1)
Low (Wm.)
INDUSTRIALS (5)
Brady Inds. Portals
Cole (R. H.) Wilkins & Mitchell
Lep Group
MOTORS (1)
Zenith A
PROPERTY (2)
Apex Props. U.K. Prop.
TRUSTS (1)
Investment Co.
OVERSEAS TRADERS (1)
African Lakes

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	4	17	[illegible]
Corpns., Dom. and Foreign Bonds	8	16	[illegible]
Industrials	513	286	[illegible]
Financial and Prop.	147	65	[illegible]
Oils	14	5	[illegible]
Plantation	14	5	[illegible]
Mines	28	48	[illegible]
Recent Issues	5	3	[illegible]
Totals	728	389	[illegible]

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Apr. 25	May 9	July 20	Aug. 1
May 10	May 22	Aug. 3	Aug. 17
May 23	Jun. 6	Aug. 17	Aug. 31

For rate indications see end of Share Information Service

Stocks favoured for the call included Britannia Arrow, C. E. Heath, Chaddesley Investments, London Brick, Valor, Pacific Copper, Tarmac, F. G. Gate, Royco, Parkland "A," Peachey Property, Grand Metropolitan, W. E. Norton, French Kier, Belhaven Brewery and Racal Electronics. Puts were arranged in Phoenix Timber, J. Lyons, and Racal Electronics, while double options were transacted in KCA International, Furness Withy, GEC and Consolidated Gold Fields.

APPOINTMENTS

Chairman change at Bentalls

Mr. James Spooner, deputy chairman of BENTALLS, takes over as chairman after the annual meeting on May 23. Mr. Rowan Bentall retires as chairman and joint managing director on that date and will become president. Mr. Edward Bentall, at present joint managing director, will then become managing director.

★

Sir James Schuster, Mr. S. A. Thorpe and Mr. J. Weldon have retired and Mr. R. R. Bartteiot, Mr. A. W. R. Burton and Mr. W. Hargreaves have joined the partnership of SHEPPARDS AND CHASE, stockbrokers.

★

Mr. R. W. Walter has retired as senior partner from WALTER WALKER AND COMPANY, stockbrokers. He remains as a consultant. Mr. R. J. B. Yeldham is now senior partner.

★

Mr. George Cuntlay, senior partner of LYDDON AND COMPANY, stockbrokers, has retired but remains a consultant to the firm. Mr. Glynne Clay has relinquished his partnership but continues with the firm as an associate member. Mr. Griffith Philipps and Mr. Rupert Miles, from the Swansea office, become partners.

★

Mr. Michael C. Manisty will join the partnership of WESTLAKE AND COMPANY, stockbrokers of Plymouth, on May 8.

Mr. K. S. Bavin has retired from the partnership with LAURIE MILBANK AND COMPANY, stockbrokers, and Mr. I. K. Ling and Mr. G. D. Galer have joined the partnership.

★

Mr. Brian Botten has been appointed managing director of FINTEL, the Financial Times and Extel joint venture company set up to provide business information services by electronic transmission to U.K. and international markets. Mr. Botten was formerly business and viewdata information services manager of Extel. He remains a non-executive director of Extel Computing.

★

Mr. P. E. Probert is to become company secretary and chief accountant of the BRITISH AVIATION INSURANCE COMPANY on August 1 and Mr. R. A. Sims will be administration manager from that date. Mr. R. Gill, company secretary, retires at the end of July.

★

Mr. Edmund R. Gibbs has been elected president of the ASSOCIATION OF CERTIFIED ACCOUNTANTS. Mr. Amory Pakenham-Walsh has become deputy president and the new vice-president is Miss Vera J. Di Palma, the first woman to hold that appointment.

★

Mr. W. J. McMichael-Phillips is to become general manager of the milk group of the CO-OPERATIVE WHOLESALE SOCIETY next month. He succeeds Mr. Gordon Walker, who is now in charge of the provisions group. Mr. Charles Lynch has been named general manager of the stationery and packaging group and takes over during this month from Mr. Bill Jones, who has left for an appointment outside the Co-operative movement.

TANN-SYNCHRONOME has made four appointments to its Board: Mr. Ken Grover (production), Mr. Bob Munro (international sales), Mr. Bruce Dawson (technical) and Mr. Bob Washbourne (access control division). Mr. Jeff Penny is now national field sales manager and Mr. Colin Wilson, regional sales manager, London area.

★

UNITED GAS INDUSTRIES has made the following appointments to the Boards of two of its subsidiaries. Teddington Appliance Controls: Mr. C. G. Pascoe (sales), Mr. T. C. Cliff (technical), Mr. D. C. Craggs (production) and Mr. G. Mills (engineering). Teddington Industrial Equipment: Mr. A. Sunnick (sales), Mr. J. Searle (production) and Mr. M. S. Clark (finance).

★

Mr. Ian Robertson has been appointed to the newly-created position of managing counsel of the European division of the SINGER COMPANY. He is based in London.

★

Mr. Louis Mallet has been appointed personnel director of FOXBORO EUROPE. He was previously with the Carrier Corporation.

★

Mr. L. G. Alyes has been appointed financial director of TI REYNOLDS.

★

Major General John Strawson, who has been head of the Cairo office of WESTLAND HELICOPTERS for the last two years, has been appointed to set up Westland's NATO liaison office, with special regard to European collaborative programmes.

★

Mr. S. M. Kimpton has been appointed chairman of the COMMERCIAL BANK OF AUSTRALIA group in place of Sir Thomas Webb, who has retired. Mr. J. S. Balderstone becomes deputy chairman.

★

Mr. Norman W. G. Allan has been appointed a director of BELL AND SIME.

★

Mr. M. D. Stigner has been appointed a director of UDISCO BROKERS (STERLING).

★

Sir Hugh Ford, professor of mechanical engineering at Imperial College, has been elected a non-executive director of RICARDO AND COMPANY ENGINEERS (1927).

★

Mr. Roger King has been appointed financial controller of CASTELL LOCKS.

★

Mr. Stanley H. Brain has been appointed president of the LIGHTING INDUSTRY FEDERATION for 1978-79.

★

Mr. D. R. Poole has been appointed adirector of ESTATES PROPERTY INVESTMENT COMPANY.

★

Mr. J. M. Holt has joined the Board of DUCTILE STEEL STOCKISTS and continues as company secretary. Mr. Edward Gillick has also been appointed to the Board as sales director.

Mr. J. A. Williams has been appointed by the DUTTON-FORSHAW GROUP as director for industrial relations and consumer affairs.

★

Mr. Peter McGrath, who was recently appointed managing director of BL COMPONENTS, has joined the BL Advisory Board.

★

Mr. T. M. Hearley and Mr. J. S. Sandilands have been appointed to the Board of RICHARD GRENVILLE.

★

Mr. P. G. Lowe has been elected president of the ELECTRICAL CONTRACTORS' ASSOCIATION for 1978-79 and takes over from Mr. Charles Brown on May 8 at the annual conference. Mr. David Pitts will continue as a vice-president and Mr. A. B. Ford will become a vice-president.

★

Mr. John L. Kirkpatrick, immediate past-president of the INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND, has been appointed one of the representatives of the U.K. and Ireland on the International Accounting Standards Committee, succeeding Mr. A. I. Mackenzie.

★

Mr. I. F. Scott has been appointed assistant managing director of TRANSFLEET SERVICES.

★

Mr. Richard Kisby has been appointed commercial director of PETTY AND SONS, a subsidiary of the British Printing Corporation.

★

Mr. J. J. Layson has been appointed chief executive and general manager of the London branch of the BANQUE POUR LE COMMERCE CONTINENTAL. He was formerly assistant general manager of Moscow Narodny Bank.

★

Mr. Eric Machell has been elected managing director and Mr. Peter Davison, deputy managing director, of the DAVUM STEEL COMPANY in London. Mr. Michael de Bellissen, former managing director, remains on the Board, while taking up a new appointment at Daval, Paris.

★

Mr. Colin P. Bolton has joined the Board of BARPOINT.

★

Mr. B. A. Atkins has been appointed marketing director of ELEY, a member of Imperial Metal Industries group. He succeeds Mr. R. M. Van Oss who has relinquished his post as sales director to join the Game Conservancy as director designate next year. Mr. Van Oss becomes director responsible for special projects at Eley while Mr. Atkins will be in charge of combined sales and marketing throughout the world.

★

Mr. Gwynne Essenbigh and Mr. Patrick Nicklin have been appointed managing directors, respectively of the air east and the special products divisions of the DERITEND GROUP.

★

Mr. J. B. Horner has been appointed assistant chief executive of HARTLE MACHINERY INTERNATIONAL.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
ICI	£1	9	348	+ 8	365	328
Shell Transport	25p	8	560	+ 8	560	484
Trnr. & Nwll. New	Nil/pd.	8	16pm	—	20pm	11pm
Beecham	25p	7	630	+10	678	583
BP	£1	7	794	− 6	864	720
De Beers Defd.	R0.05	7	340	+ 4	354	285
GUS "A"	25p	7	290	+ 2	312	256
LASMO	25p	7	188	+ 8	190	134
Royal Insurance	25p	7	363	− 2	425	346
BATs Defd.	25p	6	265	+ 2	269	227
EMI	50p	6	145	—	190	141
Grand Metrop.	50p	6	108	+ 1	100	87
GKN	£1	6	279	+ 5	282	255
Marks & Spencer	25p	6	149	+ 3	160	138
Nthrn. Engineerg.	25p	6	101xd	—	105	84

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	70	1	90	5	104	—	793p
BP	800	39	5	58	5	72	5	"
Com. Union	140	15½	—	17½	—	20½	—	145p
Com. Union	160	4½	2	8½	—	11	—	"
Cons. Gold	160	20	—	27	3	29	—	171p
[illegible]								

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS
GROUPS & SUB-SECTIONS
Figures in parentheses show number of stocks per section

No.	Group	Tues., May 2, 1978 Index No.
1	CAPITAL GOODS (170)	205.72
2	Building Materials (27)	183.98
3	Contracting, Construction (26)	325.23
4	Electricals (15)	434.42
5	Engineering Contractors (14)	299.13
6	Mechanical Engineering (71)	163.75
8	Metals and Metal Forming (17)	166.63
	CONSUMER GOODS (DURABLE) (52)	191.20
11	Lt. Electronics, Radio TV (15)	226.67
12	Household Goods (12)	171.21
13	Motors and Distributors (25)	119.79
	CONSUMER GOODS (NON-DURABLE) (176)	199.74
[illegible]	[illegible]	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Tues., May 2	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	106.34	−0.07	—	3.33
2	5-15 years	116.43	+0.02	—	2.07
3	Over 15 years	119.85	+0.01	—	4.97
4	Irredeemables	131.11	—	—	6.08
5	All stocks	113.54	−0.02	—	3.76

FIXED INTEREST YIELDS
Br. Govt. Av. Gross Red.

			Tues. May 2
1	Low Coupons	5 years	9.44
2		15 years	10.84
3		25 years	11.36
4	Medium Coupons	5 years	10.65
5		15 years	11.71
6		25 years	12.30
7	High Coupons	5 years	10.99
8		15 years	12.57
9		25 years	13.00
10	Irredeemables		11.07

		Tuesday, May 2 Index	Yield %
15	20-yr. Red. Deb & Loans (15)	58.45	12.70
16	Investment Trust Prefs. (15)	54.84	12.92
17	Coml. and Indl. Prefs. (20)	70.81	12.92

هكذا مضى الأجل

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

For New Court Property see under Rothschild Asset Management

BASE LENDING RATES

. Bank	7½%	■ Hambros Bank	7½%
Irish Banks Ltd.	7½%	■ Hill Samuel §	7½%
ican Express Bk.	7½%	C. Hoare & Co. †	7½%
Bank	7½%	Julian S. Hodge	8½%
Bank Ltd.	7½%	Hongkong & Shanghai	7½%
Ansbacher	7½%	Industrial Bk. of Scot.	7½%
de Bilbao	7½%	Keyser Ullmann	7½%
of Credit & Cmce.	7½%	Knowsley & Co. Ltd.	9 %
of Cyprus	7½%	Lloyds Bank	7½%
of N.S.W.	7½%	London Mercantile	7½%
e Belge Ltd.	7½%	Edward Manson & Co.	9 %
e du Rhone	8 %	Midland Bank	7½%
ays Bank	7½%	■ Samuel Montagu	7½%
t Christie Ltd.	8½%	■ Morgan Grenfell	7½%
ar Holdings Ltd.	8½%	National Westminster	7½%
Bank of Mid. East	7½%	Norwich General Trust	7½%
Shipley	7½%	P. S. Refson & Co.	7½%
la Perm'nt Trust	7½%	Rossminster Accept'cs	7½%
l C & C Fin. Ltd.	8½%	Royal Bk. Canada Trust	7½%
r Ltd.	8 %	Schlesinger Limited	7½%
Holdings	8 %	E. S. Schwab	9½%
erhouse Japhet	7½%	Security Trust Co. Ltd.	8½%
artons	7½%	Shenley Trust	9½%
Coates	8½%	Standard Chartered	7½%
lidated Credits	7½%	Trade Dev. Bank	7½%
erative Bank *	7½%	Trustee Savings Bank	7½%
thian Securities	7½%	Twentieth Century Bk.	8½%
t Lyonnais	7½%	United Bank of Kuwait	7½%
yprus Popular Bk.	7½%	Whiteaway Laidlaw	8 %
n Lawrie ¶	7½%	Williams & Glyn's	7½%
Trust	7½%	Yorkshire Bank	7½%
sh Transcont.	9 %		
London Secs.	7½%		
Nat. Fin. Corpn.	10%		
Nat. Secs. Ltd.	9½%		
y Gibbs	7½%		
ound Guaranty	7½%		
lays Bank ‡	7½%		
ess Mahon	7½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 4%, 1-month deposits 4¼%.
† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 4¼% and over £25,000 5%.
‡ Call deposits over £1,000 4%.
§ Demand deposits 5%.
¶ Rate also applies to Sterling Ind. Secs.

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % shown in last column allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ▼ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

BUILDING SOCIETY INTEREST RATES

GREENWICH

(01-858 8212)
281, Greenwich High Road,
Greenwich SE10 8NL.

*Deposit Rate 5.23, Share Accounts 5.60, Sub'pn. Shares 6.75. Term Shares 2 yrs. ½% above share rate, 3 yrs. 1% above share rate.

LONDON GOLDHAWK

(01-995 8321)
15-17, Chiswick High Road,
London W4 2NG.

Deposit Rate 5.75, Share Accounts 6.25, Sub'pn. Shares 7.50.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
[illegible]	100	Treasury 10½pc '78‡‡	100	.....	10.43	7.06
[illegible]	98¼	Exch 5pc '76-78‡‡	99	.....	5.05	7.49
105½	102	Treasury 11½pc '79‡‡	102⅛	−1/16	11.23	8.48
97	94¾	Treasury 3pc '79‡‡	95½	.....	3.14	6.45
[illegible]	95⅛	Electric 4¼pc '74-79	96¼	.....	4.42	7.09
104	101⅜	Treasury 10½pc '79‡‡	101¾xd	−1/16	10.32	9.19
[illegible]	94¼	Electric 3½pc '76-79	95¾xd	−⅛	3.65	6.44
[illegible]	98½	Treasury 9pc 1980‡‡	99⅛	.....	9.06	9.35
[illegible]	99½	Treasury 9½pc '80‡‡	100¼xd	−1/16	9.48	9.37
95½	92½	Treasury 3½pc '77-80	93¼	.....	3.75	6.98
[illegible]	94	Funding 5¼pc '78-80‡‡	95⅛	.....	5.52	7.78
110¼	105½	Exchequer 13pc 1980‡‡	106 xd	−1/16	12.24	10.19
[illegible]	102	Treasury 11½pc 1981‡‡	102	−1/16	11.20	10.31
[illegible]	89½	Treasury 3½pc 1979-81	89½	.....	3.91	7.75
[illegible]	92	Treasury 9¾pc 1981‡‡	99	−⅛	9.85	10.14
[illegible]	[illegible]	Exch. 8¼pc 1981	95	−1/16	8.68	10.13
[illegible]	97⅛	Exch. 9½pc 1981	97⅝	−⅛	9.73	10.37
[illegible]	86¼	Exch. 3pc 1981	86⅞	−⅛	3.45	7.56
[illegible]	[illegible]	Treas. Variable '81‡‡	96 xd	.....	6.38	8.76
111	105	Exch. 12¾pc 1981‡‡	106 xd	−1/16	12.01	10.61
[illegible]	94¼	Treas. 8½pc '80-82‡‡	94⅞	−⅛	8.96	10.18
[illegible]	83¼	Treasury 3pc '82‡‡	84½	.....	3.55	7.79
115⅞	110	Treasury 14pc '82‡‡	110⅛	−⅛	12.71	10.71
[illegible]	95	Treas. Variable '82‡‡	95⅝	.....	7.84	8.78
[illegible]	92	Treasury 8¼pc '82	92	−1/16	8.92	10.53
100¼	95	Exch. 9¼pc 1982	95	−1/16	9.73	10.66
[illegible]	93	Exch. 9¾pc 1983	93	−1/16	9.40	10.66
85¼	80¼	Exch 3pc '83	81⅛	.....	3.70	7.78
114¾	104⅞	Treasury 12pc 1983‡‡	104⅞	−¼	11.44	10.67

Five to Fifteen Years

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
100	95¾	Treasury 9½pc '83	96¼	.....	9.83	10.76
[illegible]	84¼	Funding 5½pc '82-84‡‡	84½	.....	6.64	9.44
[illegible]	91⅞	Treasury 8¼pc '84-86‡‡	92	.....	9.51	10.46
[illegible]	79	Funding 6½pc '85-87‡‡	79¼	.....	8.21	10.07
[illegible]	83¼	Treasury 7¾pc '85-88‡‡	83¾	.....	9.49	10.83
[illegible]	61¼	Transport 3pc '78-88	62¼	.....	4.90	8.86
[illegible]	65¼	Treasury 5pc '86-89	65⅞	.....	7.62	10.14
[illegible]	107½	Treasury 13pc 1990‡‡	108	+⅛	12.48	12.31
[illegible]	81¼	Treasury 8¼ '87-90‡‡	82⅝	.....	10.38	11.41
[illegible]	[illegible]	Treasury 11¾pc 1991	99½	+⅛	12.31	12.45

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 47¼% (based on $US1.8281 per £)

Conversion factor 0.6765 (0.6766)

CANADIANS

S.E. List Premium 47¼% (based on $2.0618 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
210	155	Falcon Rh 50c	180	......	Q50c	1.3	23.7
24	17	Rhod'n Corp. 16¢p.	19	......	0.56	ϕ	4.5
73	52	Roan Cons. K4	65	......	—	—	—
147	122	Tanganyika 50p	146	−1	Q11.0	1.1	7.5
80	78	Do. Pref. 80p	80	......	Q9%	16.4	9.0
41	32	Wankie Col. Rh1	37	......	†Q7½c	1.4	17.5
12½	10	Zam. Cpr. SBD0.24	12	......	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
12	10	Acmex 25c	10	......	—	—	—
113	64	Bougainville 50 Toea	103	−2	Q8c	1.4	4.9
78	63	BH South 50c	76	+2	—	—	—
217	148	Conzinc Riotinto 50c	214	......	Q10c	2.2	2.9
72	48	G.M. Kalgoorlie $1	52	......	—	—	—
136	81	Hampton Areas 5p	128	−5	1.45	4.1	1.7
17	10	Metals Ex. 50c	14	−1	—	—	—
187	125	M.I.M. Hldgs. 50c	181	−3	Q9c	1.7	3.1
24	10	Mount Lyell 25c	23	......	—	—	—
2½	1½	Newmetal 10c	2	......	—	—	—
112	79	North B. Hill 50c	108	−2	Q8c	1.5	4.6
11½	8½	Nth. Kalgurli	9½	−½	—	—	—
156	117	Oakbridge $A1	152	+3	†Q11c	1.9	4.5
40	30	Pacific Copper	33	......	—	—	—
£11¼	750	Pancont'l 25c	£11¼	+1	—	—	—
18½	12	Paringa M&Ex. 5p	17½	+½	—	—	—
480	310	Peko-Wallsend 50c	462	−3	Q15c	4.0	2.0
122	84	Westn. Mining 50c	119	−1	Q6c	1.4	3.1
50	35	Whim Creek 20c	40	......	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
30	24	Amal. Nigeria	24	......	†2.51	1.6	15.9
310	240	Ayer Hitam $M1	310	......	[illegible]	0.9	[illegible]
55	45	Beralt Tin	52	+1	3.75	ϕ	11.5
265	200	Berjuntai $M1	265	+5	‡Q110c	ϕ	[illegible]
140	111	Geevor	135	......	18.05	3.4	20.3
10	8½	Gold & Base 12½p	9½	+½	—	—	—
270	220	Gopeng Cons.	230	......	15.0	0.9	10.0
160	130	Hongkong	160	......	—	—	—
93	78	Idris 10p	80	......	7.5	ϕ	14.2
11	10	Jantar 12½p	11	......	—	—	—
73	68	Kamunting $M0.50	69	......	2Q15.5c	0.7	4.8
460	450	Killinghall	460	......	Q125	ϕ	27.2
320	280	Malay Dredging $M1	315	......	†Q95c	0.8	6.5
54	40	♦Pahang	54	......	†Q2.5	0.5	4.6
58	50	Pengkalen 10p	50	......	6.5	1.3	19.7
190	165	Petaling $M1	185	......	[illegible]	10.9	1.4
63	49	Saint Piran	56	......	g1.99	4.6	5.4
61	47	South Crofty 10p	55	......	h4.13	1.5	11.4
180	140	South Kinta $M0.50	165	......	†Q77.8c	1.4	10.1
280	230	Sthn. Malayan $M1	255	......	†Q131.3c	1.1	11.1
183	134	Sungei Besi $M1	183	......	—	—	—
70	55	Supreme Corp. $M1	70	......	2Q10c	—	3.1
100	85	Tanjong 15p	90	......	6.5	ϕ	10.9
90	74	Tongkah Hrbr. $M1	90	......	[illegible]	1.6	13.6
192	148	Tronoh $M1	190	−2	2Q80c	ϕ	10.0

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
96	70	Messina R0.50	90	......	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
15	9	Burma Mines 17½p.	15	+2	—	—	—
300	220	Cons. Murch. 10c	245	......	Q30c	2.6	7.3
385	245	Northgate C$1	370	+20	—	—	—
210	164	R.T.Z.	195xd	+1	9.5	2.8	7.4
46½	30	Sabina Inds. C$1	34½	+1½	—	—	—
£11	750	Tara Exptn. $1	£11	+1¼	—	—	—
45	43	Tehidy Minerals 10p	43xd	+½	1.33	ϕ	4.7
162	120	Yukon Cons. C$1	154	......	Q7c	ϕ	2.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; *cover relates to previous dividend or forecast.*
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for *dividend at a future date. No P/E ratio usually provided.*
- ▼ Excluding a final dividend declaration.
- ÷ Regional price.
- ‖ No par value.

a Tax free. *b Figures based on prospectus or other official estimate.* c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m *Interim higher than previous total.* n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based *on previous year's earnings. v Tax free up to 30p in the £.* w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. *B Preference dividend passed or deferred.* C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield *based on prospectus or other official estimates for 1977.* Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; ₫ ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a *fee of £400 per annum for each security*

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	22	......
Bdg'wtr. Est. 50p	270	+2
Clover Croft	22	......
Craig & Rose £1	410	......
Dyson (R. A.) A	40	......
Ellis & McHdy	65	......
Evans F'r'k. 10p	57xd	......
Evered	13½	......
Fife Forge	50	......
Finlay Pkg. 5p	20	......
Graig Ship. £1	150	......
Higsons Brew	77	......
I.O.M. Stm. £1	145	......
Holt (Jos.) 25p	252	......
N'thn. Goldsmith	55	......
Pearce (C. H.)	128	......
Peel Mills	19	......
Sheffield Brick	48	......
Sheff. Refrshmt.	50	......
Sindall (Wm.)	85	......

IRISH

Conv. 9% '80/82	£93	−½
Alliance Gas	65	......
Arnott	320	+30
Carroll (P.J.)	88	......
Clondalkin	100	......
Concrete Prods.	128	......
Heiton (Hldgs.)	49	......
Ins. Corp.	185	......
Irish Ropes	120	......
Jacob	65	......
Sunbeam	32	......
T.M.G.	180xd	......
Unidare	95	......

OPTIONS
3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	23	Tube Invest.	30
A.P. Cement	18	"Imps"	7	Unilever	40
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	10	Inveresk	7	Vickers	15
Barclays Bank	25	KCA	5	Woolworths	6
Beecham	38	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¼
Bowaters	16	Lex Service	7	Cap. Counties	5
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lots"	5	Intreuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	18
Burton 'A'	13	Lonrho	7	MEPC	12½
Cadburys	5	Lucas Inds.	25	Peachey	10
Courtaulds	10	Lyons (J.)	13	Samuel Props.	10
Debenhams	10	"Mams"	7	Town & City	2
Distillers	13	Mrks. & Spncr	11	**Oils**	
Dunlop	8½	Midland Bank	25	Brit. Petroleum	35
Eagle Star	11	N.E.I.	20	Burmah Oil	7
E.M.I.	18	Nat. West. Bank	22	Charterhall	3½
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	18	P & O Dfd.	10	Ultramar	22
Glaxo	40	Plessey	9	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	18	Rank Org. 'A'	18	Cons. Gold	20
Guardian	18	Reed Intl.	14	Rio T. Zinc	16
G.K.N.	22	Spillers	4		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

* A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday May 3 1978

IMF team in London next week

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

AN INTERNATIONAL Monetary Fund team will visit London towards the end of next week for talks with the Treasury about whether the U.K. will keep the standby credit from the Fund in being for the rest of this year.

The existence of the standby credit is what binds the U.K. to the policy guidelines agreed with the fund at the end of 1976 and reaffirmed last December.

A firm decision apparently has not been taken. The issue turns on whether the Government wishes publicly to reassure the markets about the U.K.'s resolve to stick to firm borrowing and monetary guidelines.

This view may have attractions in view of the recent unsettled state of foreign exchange markets but could be counterbalanced by the domestic political advantages of appearing to stand openly independent from the fund.

The decision is largely a tactical one, with no major practical consequences. If the standby lapsed, the U.K. would retain its own money supply target and a public sector borrowing estimate just below the limit agreed with the fund.

The official view is that the U.K. does not require the fund to have responsible policies.

A continuation of the standby until its expiry at the end of the year would require a review of policies, mainly involving a new ceiling for domestic credit expansion. In December, the existing ceiling for 1977-78 was extended to June.

In his Budget speech, Mr. Denis Healey, Chancellor, said domestic credit expansion in 1978-79 would be below the £6bn. level set out originally.

Discussions on the standby are completely separate from decisions on repayment of the $1.9bn., out of the $3.9bn. loan, eventually drawn. The Government has already announced early repayment of part of its borrowings from the fund.

For 10 days

The visit is expected to last about ten days and involves the normal annual consultations under the fund's articles to consider the ecoomic policies of member countries.

There is likely to be particular interest in exchange rate policy and the prospects for the current account, which have deteriorated since the last visit by the fund at the end of last year.

The talks are expected to be straightforward, since there are no important outstanding points between the U.K. and the IMF.

Portugal accepts £430m. aid terms

BY JIMMY BURNS LISBON, May 2.

PORTUGAL and the International Monetary Fund have agreed on the terms Portugal must accept before being granted nearly $800m. (£430m.) worth of western aid to cover its balance of payments deficit.

According to Dr. Silva Lopes, the governor of the Bank of Portugal and one of the chief Portuguese negotiators, an agreement was concluded this week-end. Formal ratification of the Letter of Intent, however, still awaits the approval of the Portuguese Council of Ministers and the executive directors of the IMF.

In spite of continuing official secrecy on the exact conditions, the Portuguese team is believed to have succeeded in moderating the IMF's original stringent demands, particularly regarding the increase in bank lending rate, the target for a reduction in the balance of payments deficit, and a suggested devaluation of the escudo.

Although the figures may not be officially realeased until later this month, it now appears certain that the increase in bank lending rate will fall below the 7 per cent. originally demanded by the IMF.

Both sides are known to have agreed that the balance of payments deficit, now estimated at $1.475bn., should be reduced to $1bn.

Finally, in spite of speculation last week that there would be a dramatic and sudden devaluation of the escudo, Portuguese officials are believed to have convinced the IMF on the need gradually to devalue the currency over a 12-month period.

Since negotiations between the Portuguese and the IMF were resumed more than a month ago, the ruling alliance of Socialists and Christian Democrats has implemented a number of austerity measures in line with the general stabilisation programme which the IMF thought was necessary.

This included a tough budget, proposing major cuts in public and private spending, which the Portuguese Assembly formally approved on April 13.

Second reading for Immunity Bill to-day

BY MARY CAMPBELL

THE NEW State Immunity Bill, which will in certain circumstances, abolish the immunity of sovereign states and their agencies from being sued in the English courts, is to have its second reading in the House of Commons to-day.

Sovereign states have, in recent years, been engaging in an increasing range of commercial activities. That they are immune from being sued in English courts put London's financial community at a disadvantage compared with New York, where the law was changed in 1976.

The State Immunity Bill, aimed at bringing English law into line with that in the U.S., has been amended substantially since its introduction in the House of Lords in January.

Although there are still minor points to be resolved, the Bill is being welcomed by the commercial and legal community in its present form.

The swift passage of the Bill has been made all the more important by the fact that the case of Trendtex Trading Corporation v. the Central Bank of Nigeria now looks like being settled out of court.

An Appeal Court ruling in this case had seemed, where a state was acting in a commercial capacity, to reverse the traditional principle of English law that states are immune from being sued.

Attitude to Russia unaltered —Premier

By Richard Evans, Lobby Editor

THE POLITICAL storm over remarks made in China by Sir Neil Cameron, Chief of the Defence Staff, referring to Russia as the "common enemy" was met by the Prime Minister yesterday with an assurance that Britain's relations would not change with either China or Russia.

"The remarks made by Sir Neil (to Chinese tank officers near Peking) should not be regarded as altering, extending, modifying or changing in any way the present relationship between Britain and China and Britain and the Soviet Union," said Mr. Callaghan.

Although Ministers were obviously embarrassed by the off-the-cuff comments of Sir Neil, the hope now is that the matter will be quickly forgotten, in spite of protests yesterday from the Labour Left-wing.

The belief at Westminster was that Sir Neil went to Peking partly to assess possibilities for arms sales, but had sought to reassure the Chinese too lavishly on Britain's relationship.

The Commons exchanges showed that the Opposition, led by Mrs. Margaret Thatcher, Conservative leader, was openly enthusiastic about Sir Neil's attitude to Russia, while moderate Labour MPs were in no mood to criticise him. This left the Labour Left-wing isolated and largely ineffective.

Rebuke

Both Mr. Callaghan and Mr. Fred Mulley, Defence Secretary, mildly rebuked Sir Neil by implication for referring to Russia in such openly hostile terms, but their general attitude was to play the whole issue down.

Mr. Mulley said that "there was nothing in the impromptu remarks that Sir Neil made that suggests it should diminish my confidence in him as my chief military adviser."

Mr. Callaghan commented that one or two of the remarks made by Sir Neil might have been phrased a little differently, but he insisted that he retained the maximum confidence in the Chief of the Defence Staff.

David Satter writes from Moscow: The Communist Party newspaper Pravda yesterday called on the British authorities to give an explanation for Sir Neil's remarks.

In an unusually swift Soviet response to foreign comment, Pravda said Sir Neil's comments about the threat posed by the growing strength of the Soviet tank force were "incendiary" and "not in keeping with Soviet-British relations."

Remarks

The newspaper said that Sir Neil, who by his own account, was moved by the warm Chinese welcome, "lost control of himself" and "swaggered" before Chinese officers like an "intoxicated hare."

Pravda said it would be possible to ignore Sir Neil's remarks except that he represented the British Government and official London had been silent in response. "Is it because the words from Peking did not reach it, or does it not hear them?"

Pravda said fear of the "Soviet menace" was not new and compared Sir Neil to "the notorious" James Forrestal, former U.S. Defence Secretary, who it said, "clamoured as noisily about the Soviet menace in the years of the Cold War."

Sir Neil yesterday left *Peking for Shanghai* on the last leg of his week-long visit to China.

Parliament Page 10

Salisbury calls on guerillas to stop fighting

BY TONY HAWKINS SALISBURY, May 2.

RHODESIA's transitional government to-night called on nationalist guerillas fighting in the country to lay down their ars "and restore peace to our land."

The four-man executive council, consisting of Bishop Abel Muzorewa, the Rev. Ndabaningi Sithole, Chief Chirau and Mr. Ian Smith, issued a statement saying that now majority rule had been achieved there was no case for further fighting.

The statement added that in order to ensure "free political activity" in the period before the first election it had been decided to life the lung standing bans on the two original nationalist parties ZAPU — led by Mr. Joshua Nkomo — and ZANU — the leadership of which is disputed by Mr. Sithole in Rhodesia and Mr. Robert Mugabe in Mozambique.

More than 700 had already been released from detention and the cases of the remaining detainees—a little over 200—wer underconsideration.

The statement said most of the guerillas fighting for majority rule now knew that "the battle has been won" and that the time had come to join us in the peaceful transition to majority rule." Their safety would be guaranteed.

"Through our contacts with them, detailed arrangements are being made for their reception and to enable them to return to their homes and rejoin their families if they wish to do so."

The statement said that protected villages—long a major target of criticism in the eyes of the African people—would be dismantled as the fighting died down.

The purpose of protected villages was to enable the security forces to provide better protection against attack for the people inrural areas. But the executive realised that thea PVs (as they are called) were unpopular since people preferred to live freely and without restriction in their areas. Wherever possible restrictions on the movements of occupants of the protected villages would now be eased.

The executive repeated that "nobody" was barred or excluded from the process of securing a transition to majority rule.

Meanwhile Bishop Muzorewa's United African National Council issued a statement which apparently clashed with the executive council's call for a ceasefire in the guerilla war.

The UANC said it was "tantamount to putting the cart before the horse" to call for a ceasefire before eliminating racial discrimination, releasing all political prisoners and dismantling all protected villages.

The UANC said its final decision on continued participation in the agreement—following the week-end dismissal of Mr. Byron Hove, the former Justice Minister—would be made at a national executive meeting on Sunday. The party said Bishop Muzorewa had not been party to Mr. Hove's dismissal.

Reuter adds: The leaders of Rhodesia's interim government announced moves to heal the rift over the dismissal of Mr. Hove. The executive council said it had appointed an all-party committee to settle the dispute. It planned to remain united in support of the Salisbury agreement setting up the multi-racial government despite any differences.

Bank explains need for support operation

BY MICHAEL BLANDEN

THE THREAT of "a widening circle of collapse through the contagion of fear" was the main factor which prompted the Bank of England to mount the £1.2bn. "lifeboat operation" to support the fringe banks.

This is stated by the Bank in new evidence to the Wilson committee on the financial institutions which was released to-day.

For the first time the Bank examines the circumstances which led to the fringe bank crisis and highlights weaknesses in the official supervisory arrangements which made it possible.

The evidence draws attention to the impact of the property boom in the early 1970s, when wi h finance readily available for development, "far too much of it was undertaken all at once."

The Bank's paper underlines the precarious nature of the business being undertaken by many of the fringe banks during that period. They found they had easy access to deposits on the rapidly expanding money markets, but ran the risk of serious liquidity problems when it became difficult to renew deposits.

The evidence makes no attempt to apportion the blame for allowing the situation to arise. But it makes clear that the Bank had no doubt about the need for prompt action when the storm blew up with the problems of London and County Securities in late 1973.

The creation of the lifeboat operation jointly with the clearing banks was initially designed to overcome what was thought to be a short-term liquidity problem. But the Bank's evidence underlines that the situation developed further to become a long-term problem.

Details Page 8

Shetland asks £1m. for lost oil rates

BY RAY PERMAN, SCOTTISH CORRESPONDENT

OIL COMPANIES building the Sullom Voe terminal in Shetland are to be presented with a bill for £1m. to cover loss of rate revenue.

The islands' council expected to begin charging rates on the installation this spring when oil started to flow through the pipeline from the Ninian Field. *Difficulties offshore* have meant delay at least until the autumn.

This resulted in a shortfall of about £1m. in the council's budget. Domestic rates went up by between a third and a half for most householders, and industry in the Shetlands faced a 400 per cent. rise.

The council has therefore decided to ask the 32 oil companies sharing in the Sullom Voe project to make up the lost revenue and pay for any future delays. A letter from the council chairman will be sent this week to British Petroleum, which acts as operator for the other companies.

An agreement covering the running of the port at the terminal has already been signed between the companies and the council, but a second document covering the lease of the site has still to be negotiated.

United Trawlers switch will mean loss of 265 jobs

BY RICHARD MOONEY

BRITAIN'S BIGGEST fishing company yesterday announced plans which will cost the jobs of 265 onshore workers in Grimsby and Hull, nearly a third of its employees at the two ports.

British United Trawlers, whose parent company Associated Fisheries lost £1m. in the first quarter of this year, is instituting a rationalisation plan whcb will take Grimsby's last six freezer-trawlers acros sthe Humber to Hull contributing to the loss of 190 Grimsby shore jobs.

The vessels will not provide enough employment in Hull to prevent substantial redundancies there as well, and the company plans to make 75 Hull shore workers redundant.

The redundancies are being blamed on the decline in the wet ...fish sector following Britain's exclusion from Icelandic water and severe restrictions in the North-east Arctic. In the last three years about a third of the port's deep ea fleets have been laid up or put to other uses. Sea-going jobs have been cut back proportionately but the decline in on-shore jobs has lagged a long way behind. The plan announced yesterday would just about redress this imbalance.

The Government promised to give all possible help to the employees whose jobs are threatened. But temporary employment subsidies appear unlikely.

In the absence of greatly increased fish landings there is little hope of the company finding employment for the surplus workers and the provision of a subsidy would merely delay eventual redundancy. The company is studying the position but has not yet applied for employment subsidies.

Mr. John Silkin, the Minister of Agriculture, also responded to the concern over the future pattern of U.K. fishing voiced in the statement. "The Government is steadfast in its resolve to secure a fair deal for the British fishing industry in the negotiations with its EEC partners," he declared.

The six extra vessels will take the Hull freezer fleet to 32 (Britain's entire fleet) but this will still be about eight fewer than a year ago. Many companies have laid-up trawlers or diverted them to oil rig supply duties and British United Trawlers itself has sent three Hull vessels to fish in Australian waters.

The loss of the vessels will increase Grimsby's financial difficulties. About a fifth of the port's income has been coming from its freezer fleet.

Mr. Graham Heilyer, managing director of British United Trawlers, said he hoped further redundancies would not be necessary. But he was not confident—"our fate is not in our own hands," he said.

Weather

U.K. TO-DAY

RAIN at times in most areas.

London, S.E., Cent., S., Cent. N. and N.W. England, Midlands, N. Wales, Isle of Man. N. Ireland.
Cloudy, rain spreading from S.W. Max. 12C (54F).

Channel Is., S.W. England, S. Wales.
Rain, becoming brighter. Max. 14C (57F).

E. Anglia, E. and N.E. England, Lakes, Scotland, Glasgow, Argyll.
Cloudy, rain later. Max. 11C (52F.).

Borders, E. and N. Scotland
Dry, sunny spells. Max. 10C (50F).

Outlook: Unsettled.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstdm.	F	14	57	Madrid	C	11	52
Athens	C	22	72	Manchstr.	R	8	46
Bahrain	C	26	79	Melbourne	S	20	68
Barcelona	S	17	63	Milan	F	18	64
Belfast	C	8	46	Montreal	C	5	41
Belgrade	T	18	64	Moscow	C	8	46
Berlin	R	9	48	Munich	C	9	48
Brmghm.	R	7	45	Newcastle	C	8	46
Bristol	R	8	46	New York	S	11	52
Brussels	R	12	54	Oslo	F	12	54
Budapest	R	14	57	Paris	F	14	57
B. Aires	C	22	72	Perth	C	24	75
Cairo	S	35	95	Prague	R	9	48
Cardiff	C	8	46	Reykjavik	D	4	39
Chicago	S	8	46	Rio de J'o	S	27	81
Cologne	D	12	54	Rome	S	17	63
Copnhagn.	S	13	55	Singapore	S	32	90
Dublin	C	8	46	Stockholm	S	9	48
Edinburgh	C	7	45	Strasbrg.	C	9	48
Frankfurt	R	12	54	Sydney	R	21	70
Geneva	F	11	52	Tehran	S	21	70
Glasgow	F	9	48	Tel Aviv	S	24	75
Helsinki	S	8	46	Tokyo	C	22	72
H. Kong	C	26	79	Toronto	S	6	43
Jo'burg	S	21	70	Vienna	C	15	59
Lisbon	R	13	55	Warsaw	R	9	48
London	R	9	48	Zurich	C	8	46
Luxembg.	C	7	45				

HOLIDAY RESORTS

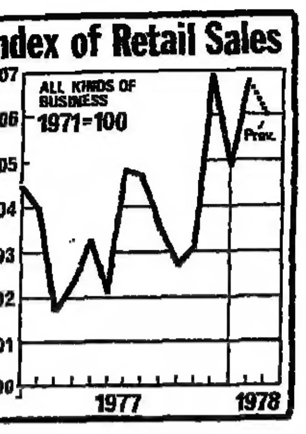
		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	C	16	61	Istanbul	C	23	73
Algiers	F	20	68	Jersey	F	12	54
Biarritz	F	16	61	Las Plms.	S	19	66
Blackpool	R	10	50	Locarno	F	17	63
Bordeaux	C	16	61	Majorca	S	16	61
Boulogne	R	9	48	Malaga	C	19	66
Casablnca.	F	19	66	Malta	S	18	64
Cape Town	S	20	68	Nairobi	C	16	61
Corfu	F	18	64	Naples	F	15	59
Dubrovnik	C	12	54	Nice	S	16	61
Faro	C	17	63	Oporto	R	12	54
Florence	F	14	57	Rhodes	F	23	73
Funchal	D	18	64	Salzburg	C	12	54
Gibraltar	F	15	59	Tangier	F	16	61
Guernsey	F	11	52	Tenerife	S	16	61
Innsbruck	C	13	55	Tunis	F	20	68
Inverness	S	9	48	Valencia	F	21	70
Isle of M.	R	8	46	Venice	F	16	61

S—Sunny. F—Fair. C—Cloudy. R—Rain. D—Drizzle. T—Thunderstorm. H—Haze.

THE LEX COLUMN

Indigestion for BHS in food

Index rose 3.9 to 469.6



British Home Stores' share price has been under a cloud for the past 18 months and the latest results are not going to restore the group's former glamour rating. For the second year running sales growth has been decidedly sluggish and the 6 per cent. rise in pre-tax profits to £27.0m. is going to look even more unimpressive when set against to-day's figures from Marks and Spencer.

In the first half, profits were depressed by the poor showing of the non-food side where sales volume was down 3 per cent. In the second six months there was some recovery here, helped by the 3 per cent. or so increase in selling space during the year, but the food operations were by then feeling the draught of the High Street food price war and pre-tax profits were only 4 per cent. higher in the second six months. Admittedly, profits were hit by special factors such as a loss of £0.3m. on the Savacentre venture and a contribution to the employees' share participation scheme, but even so the performance looks dull.

Against an overall increase in sales of 12 per cent., British Home Stores' wage bill rose by 14½ per cent. and it appears to have been the relatively more labour intensive food operations which have been holding the group back. The food side has now been reorganised, a number of food units have been closed and the emphasis is on reducing the labour content of food sales—by moving towards greater reliance on pre-packed food, for instance.

BHS reckon that the recent measures could lop £1m. off its wages bill in a full year without affecting volume unduly. Given that the group expects to increase its selling space by about 6 per cent. in the current year, is budgeting for a lower growth rate in operating costs and already seems to be benefiting from the increase in consumer spending; profits of upwards of £30m. look on the cards. But the group still needs to prove that the recent deceleration in its sales growth is nothing more than a temporary hiccup. At 184p the yield is 5.2 per cent.—half a point more than the stores sector average.

Secondary banks

"Up to the time of the collapse of London and County the Bank did not much concern itself with secondary banks," wrote the Inspectors in their report on L. and C. It is a charge which is hardly challenged by the Bank of England in its background paper on the secondary banking crisis, produced at the request of the *Wilson Committee. The Bank* begins by apparently seeking to build up an atmosphere of mystery and convolution. The crisis was due to "a complex skein of macro- and micro-economic factors, which combined and interacted in a way that even in retrospect is difficult to unravel," it claims. But the problem can be put more simply. It turns out that the Bank expected the fringe bankers to fade away upon the abandoning in 1971 of the quantitative restrictions which had hampered the clearers, during the late 1960s. Instead, the secondary banks expanded with renewed vigour.

The excessive money supply growth between 1971 and 1973, and the consequent flows of resources into the property and financial markets, gave the fringe banks ample opportunity. The mystery which remains, however, is why the risks were not perceived by depositors earlier: the secondary banks had access to the money markets on virtually the same terms as the clearers or the accepting houses. Moreover the Bank appeared unconcerned when its theories about the fading away of the fringe were overturned; indeed as late as the summer of 1973 it was handing out the coveted banking authorisation to the likes of UDT. The Bank's paper has nothing to say on the Bank's thinking during this crucial period.

In retrospect, the muddle over banking status ranged from an authoris through Section 127 an Section 123 listing—wa *factor*. The public had concept of quality. crisis broke the Ba devoted much more extending its su machinery: "substan provements have been are in prospect," it is meanwhile, some 4½ y the lifeboat is still st its two largest passeng and First National, ac for nearly all the £656 standing at the end of

John Laing

For years brokers' have pointed out th Laing's stock market ra not really reflected the lying value of the property portfolio. N Laing Board is thin *tackling* the problem a scheme which would the formation of a independent listed com its property investme development activities. mentation would involve some form of reconstruction in which Laing shareholders wo up with a share each listed companies for ev they hold now.

The hope is that this able the market to each company's true wo viding shareholders w pieces of paper worth total than the one they present. The logic is ap The Laing Board val group's investment p at £85m., suggesting market capitalisation fo of around £50m., allow associated debt. Yet non-property activities p fully taxed earnings £7m. in 1977, which on multiple of about 8 puts on this business alone o £55m. Together, it gives of £105m., against the £ which Laing is c capitalised after the sha gained 18p to 149p ye On these figures it is to fault Laing's rationale posing the scheme, shareholders may re another such asset spl of Montague Burton- hopes were hardly realis

Laing's 1977 full-year meanwhile, are better th market had expected, a tax profits at 21m. are c ably ahead of the £18½n cast at half-time.

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